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

2017 年報 Annual Report

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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 the Company's website at www.MediNetGroup.com.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Chi Wai, Nelson *(Chairman)*
Ms. Jiang Jie

Independent non-executive Directors

Dr. Lieu Geoffrey Sek Yiu
Mr. Leung Po Hon
Mr. Wong Wai Leung

AUDIT COMMITTEE MEMBERS

Mr. Leung Po Hon *(Chairman)*
Dr. Lieu Geoffrey Sek Yiu
Mr. Wong Wai Leung

NOMINATION COMMITTEE MEMBERS

Mr. Leung Po Hon *(Chairman)*
Mr. Wong Wai Leung
Mr. Chan Chi Wai, Nelson

REMUNERATION COMMITTEE MEMBERS

Mr. Wong Wai Leung *(Chairman)*
Mr. Leung Po Hon
Mr. Chan Chi Wai, Nelson

COMPLIANCE OFFICER

Mr. Chan Chi Wai, Nelson

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Wai, Nelson
Mr. Leung Man Fai

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISER

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, 101 King's Road, North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of MediNet Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am delighted and pleased to present this annual report of the Group to you for the year ended 31 March 2017 ("**FY2016/17**").

BUSINESS REVIEW

As an established service provider in the medical and dental industries in Hong Kong for more than two decades, we are engaged in the provision of corporate medical and dental solutions and services as well as the operation of MediNet Centres and Dental Clinics. We design and administer tailored medical and/or dental benefits plans for our customers and provide different medical and/or dental services through our comprehensive MediNet Network. Currently, we operate two MediNet Centres and five Dental Clinics and we offer an array of healthcare services to patients.

The Group was successfully listed on GEM on 31 May 2016, the listing (the "**Listing**") of the shares of the Company on GEM provided additional capital to the Group to implement its corporate plan of expanding Medical Centre and Dental Clinic, for example. As a result, we relocated our MediNet Centre at Central to the new premises and set up two more surgery rooms for our dental clinics in Central and Kwun Tong during FY2016/17. The Listing also strengthened the financial position and enhanced the competitiveness of the Group.

For FY2016/17, the Group achieved an increase in turnover of approximately HK$6.6 million or 7.2% to approximately HK$99.2 million compared with the year ended 31 March 2016 ("**FY2015/16**"). Such growth was mainly attributable to (i) established long-term business relationships with our existing contract customers, as well as revenue generated from new contract customers; and (ii) the consistent demand for healthcare services in Hong Kong during the year. The Group reported an approximately 99.6% increase in its net loss for FY2016/17, which included the impact of non-recurring Listing expenses of approximately HK$10.4 million and HK$4.2 million for each of FY2015/16 and FY2016/17 respectively. The substantial increase in the consolidated net loss of the Group for FY2016/17 as compared to FY2015/16 is mainly attributable to (i) the increase in staff costs and other operating expenses to support the Group's operation and business development in Hong Kong; (ii) additional legal and professional fees incurred to ensure ongoing compliance with relevant rules and regulations after the Listing; and (iii) additional costs incurred for FY2016/17 in relation to the exploration of business opportunities and initial start-up expenses to establish service centres for the provision of medical and dental services in the People's Republic of China (the "**PRC**").

Having said that the Group is also tapping into the market of the provision of medical and dental services in the PRC, we have obtained the relevant approvals from the Department of Health of Guangdong Province for the establishment of dental clinic in Shenzhen and integrated medical centre in Jiangmen, which are expected to commence operations in late 2017.

CHAIRMAN'S STATEMENT

FORWARD

Looking ahead, as the Hong Kong Government has put forward the implementation of the Voluntary Health Insurance Scheme (VHIS) in the 2017 Policy Address and the PRC government has encouraged greater private sector participation to provide a more diverse scope of medical services to the growing middle class population, the Group expected that it will half satisfy the demand of healthcare services in Hong Kong and the PRC. To grasp this golden opportunity, the Group will proactively develop high-end and comprehensive quality healthcare service. Based on our experience and know-how in the healthcare industry, we are confident in providing the best services to customers and maximizing the interest of our stakeholders.

WORDS OF THANKS

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and customers for their continuous support, and my heartfelt thanks to our staff for their unwavering dedication and contribution to the Group's development.

Chan Chi Wai Nelson
Chairman and Executive Director

Hong Kong, 28 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

MediNet is one of the corporate healthcare solutions providers in Hong Kong for more than 20 years, we are principally engaged in the provision of corporate medical and dental solutions to our contract customers. 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 at which a range of medical and dental services are provided by our doctors, dentists, dental hygienists, affiliated services providers and other medical and dental professionals. Besides, we operate our two MediNet Centres and five Dental Clinics offering services to both plan members and self- paid patients.

We recorded a net loss of approximately HK$4.5 million for FY2016/17, including the non-recurring Listing expenses of approximately HK$4.2 million, representing an increase in net loss of approximately HK$2.3 million or 99.6% from net loss of approximately HK$2.3 million in FY2015/16. Such increase in net loss was primarily due to increase in staff cost, additional legal and professional fee and start-up cost in relation to the exploration of business opportunities in the PRC. During FY2016/17, there was an increase of staff head count mainly due to the set-up of our new sales and marketing team and customer services team so as to enhance our customer services and to provide the quality healthcare services, as well as to establish an additional channel for understanding our customers' need. In addition, the Group is currently setting up a new online e-commerce business in relation to the sale of healthcare-related products and services, which is expect to be launched during the third quarter of 2017.

Going forward, while the Group will continue to leverage on its competitive advantages and competencies to foster its core business of medical and dental solutions and services in Hong Kong, the Group is also tapping into the market of the provision of medical and dental services in the PRC. In light of the announced plan of the PRC government to systematically improve the PRC healthcare system, the PRC government has encouraged greater private sector participation to provide a more diverse scope of healthcare services to the growing middle-class population thereby reducing overcrowding in public facilities, so the Group has established a representative office in Shenzhen to explore these business opportunities. Moreover, the Group has (u) 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, specialist practice services, dental services, aesthetics services and etc; and (ii) rented a dental clinic in Shenzhen with gross floor area of over 3,000 sq.ft..

With reference to the Company's announcement dated 21 June 2017, the Group has obtained the relevant approval 設置醫療機構批準書 (transliterated as the approval for establishment of medical institution) (the "**Approval**") from the Department of Health of Guangdong Province in mid-May 2017 for the establishment of the dental clinic in Shenzhen, which is expected to commence operations in late 2017. In late June 2017, the Group also obtained the Approval for the establishment of the clinic in Jiangmen, which is also expected to commence operations in around late 2017. The Group believes that the middle-class population has strong purchasing power and health consciousness would be our target customers, so we will provide high-end dental and medical services to this type of target customers and we will replicate the Group's business model in Jiangmen and Shenzhen.

With our experienced management team and reputation in the market, the Directors believe that our Group is well- positioned to remain competitive despite any future challenges that are commonly faced by all market players. As mentioned above, the Group will not only continue to pursue the strategies to further strengthen our position as an established service provider in the medical and dental industry in Hong Kong and also explore more opportunities in relation to the medical and dental services in the PRC market.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK$92.6 million for FY2015/16 to approximately HK$99.2 million for FY2016/17, representing a growth of approximately 7.2%. The increase was mainly attributable to an increase in the medical solutions to Contract Customers, medical services to self-paid patients and dental services to self-paid patients. The following table sets forth a breakdown of our revenue during FY2015/16 and FY2016/17:

	FY2015/16		**FY2016/17**	
	HK$'000	%	**HK$'000**	**%**
Medical solutions to Contract Customers	53,395	57.7	**57,321**	**57.8**
Medical services to self-paid patients	15,230	16.5	**17,586**	**17.7**
Dental solutions to Contract Customers	7,839	8.5	**6,936**	**7.0**
Dental services to self-paid patients	16,112	17.3	**17,363**	**17.5**
	92,576	100.0	**99,206**	**100.0**

Except for dental solutions to Contract Customers, all the revenue generated for FY2016/17 including the provision of medical services to Contract Customers, medical services and dental services to self-paid patients increased approximately 7.4%, 15.5% and 7.8% respectively when compared with FY2015/16. Dental solutions to Contract Customers decreased by approximately 11.5% from approximately HK$7.8 million for FY2015/16 to approximately HK$6.9 million for FY2016/17 due to a decreased number of Contract Customers from 131 for FY2015/16 to 118 for FY2016/17 and individuals for dental solutions from 5,959 for FY2015/16 to 5,446 for FY2016/17.

Other income

Other income decreased by which was mainly approximately 56.6% from approximately HK$2.3 million for FY2015/16 to approximately HK$981,000 for FY2016/17. This situation was attributable by a decrease in other services income from laboratory and other healthcare services provider, as well as imputed interest income and dividend income from listed equity securities in Hong Kong.

Other gains and losses

Other gains and losses turned from a loss of approximately HK$1.3 million for FY2015/16 to a gain of approximately HK$114,000 for FY2016/17, primarily due to (i) decrease in loss on fair value change of the Group's held-for-trading investment (being listed equity securities in Hong Kong; and (ii) a gain on disposal of a motor vehicle amounted to approximately HK$140,000.

Medical and dental professional services expenses

The Group's medical and dental professional services expenses increased by approximately 11.9% from approximately HK$44.8 million for FY2015/16 to approximately HK$50.1 million for FY2016/17, mainly as a result of the combined effect of the following:

(i) The aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursements to plan members of the Group's Contract Customers amounted to approximately HK$34.6 million for FY2015/16 and approximately HK$36.3 million for FY2016/17, representing an increase of approximately 4.9%. Such increase was mainly due to an increase in the amount of medical services received by plan members through our MediNet Network or reimbursed by us as a result of an increase usage by the active member of Contract Customers. The approximately 4.9% increase in the aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursements to plan members was also generally in line with the approximately 7.4% increase in the Group's revenue from the provision of medical solutions to Contract Customers during the relevant period.

(ii) Fees for engaging external dentists increased by approximately 59.1% from approximately HK$2.2 million for FY2015/16 to approximately HK$3.5 million for FY2016/17 as we experienced (i) an increase in demand from self-paid patients for certain secondary dental care services which were carried out by external dentists with relevant expertise and (ii) change in the employment arrangement between the Group and one of our dentist for FY2016/17 which resulted in the fees to the Group's dentist of approximately HK$1.1 million recognized in "Medical and dental professional services expense" instead of "Staff Cost".

(iii) Laboratory charges slightly increased by approximately 1.7% from approximately HK$6.4 million for FY2015/16 to approximately HK$6.5 million for FY2016/17, primarily due to an increase in demand from self-paid patients for certain body check up.

(iv) Fees to our doctors increased from approximately HK$1.6 million for FY2015/16 to approximately HK$3.9 million for FY2016/17 due to the change in employment arrangements between our Group and our Group's doctors pursuant to the MediNet Doctor Agreement effective from 1 November 2015, as defined in the Prospectus. Therefore fees to our Group's doctors were recognised in "Staff cost" and "Medical and dental professional services expenses" before and after such effective date respectively.

Staff cost

Staff cost increased by approximately 28.6% from approximately HK$19.5 million for FY2015/16 to approximately HK$25.1 million for FY2016/17. Due to the changes in employment arrangements between the Group and the Group's doctors and dentist as discussed above. As a result, if the Group's doctor fee of approximately HK$3.9 million and HK$1.1 million for FY2016/17 and HK$1.6 million for FY15/16 has been recognised under "Staff cost", then the staff cost will increase by approximately HK$9 million. The increase was mainly attributable by (i) an increase in staff cost paid to Directors and Company secretary; (ii) a general increase in salaries for the staff; (iii) an increase in staff for establishing a representative office in Shenzhen for exploration of business opportunities, and for establishing services centres for the provision of medical and dental clinic in the PRC and (iv) an increase in the number of staff in Hong Kong mainly due to the set-up of a new sales and marketing and customer services team in connection with the Group's expansion and enhancement of our customer services. In addition, the total number of staff increased from 68 as at 31 March 2016 to 95 as at 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately 34.6% from approximately HK$2.2 million for FY2015/16 to approximately HK$1.5 million for FY2016/17, primarily as a result of the decrease in 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.

Cost of medical and dental supplies

Cost of medical and dental supplies increased by approximately 39.2% from approximately HK$2.9 million for FY2015/16 to approximately HK$4.0 million for FY2016/17 due to the increase in demand from Contract Customers and self-paid patients.

Rental expenses

Rental expenses increased by approximately 54.4% from approximately HK$4.4 million for FY2015/16 to approximately HK$6.8 million for FY2016/17, mainly due to (i) an increase in rental for those existing premises for which leases were renewed; (ii) new tenancy agreement entered for MediNet Centre in Central during the relevant period; and (iii) rental expenses from representative office and dental clinic in Shenzhen.

Other expenses

Other expenses increased by 41.4% from approximately HK$8.7million for FY2015/16 to approximately HK$12.3 million for FY2016/17, primarily due to additional legal and professional fees incurred to ensure ongoing compliance with relevant rules and regulation after Listing and other general administrative expenses.

Finance costs

Finance costs decreased from approximately HK$0.5 million for FY2015/16 to nil for FY2016/17 as the result of the full repayment of the mortgage loan and finance lease obligation in November 2015 and June 2015 respectively.

Listing expenses

The Group recognised non-recurring Listing expenses of approximately HK$10.4 million and HK$4.2 million for FY2015/16 and FY2016/17 respectively as expenses in connection with the Listing.

Income tax expenses

Income tax expenses for the Group decreased from approximately HK$2.3 million for FY2015/16 to approximately HK$0.9 million for FY2016/17. The decrease was mainly due to decrease in tax assessable income.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss and total comprehensive expenses attributable to the owners of the Company

Due to the combined effect of the factors mentioned above including in particular the recognition of significant non-recurring Listing expenses of approximately HK$4.2 million for FY2016/17, we recorded a total comprehensive expense attributable to the owners of the Company for the year of approximately HK$4.3 million, which increased by approximately HK$2.0 million as compared with total comprehensive expense for the year of approximately HK$0.6 million in FY2015/16.

Such increase in total comprehensive expenses attributable to the owners of the Company was primary attributable to the combined effects of (i) the increase in revenue of approximately HK$6.6 million for the FY2016/17 but offset by (ii) the increase in staff costs and other operation expenses to support the Group's business development in Hong Kong such as set-up of a new sales and marketing and customer services team in connection with the Group's expansion and to enhance our customer services; (iii) additional cost incurred for the exploration of business opportunities in the PRC through our representative office in Shenzhen, applied for licences to establish an integrated medical centre in Jiangmen and dental clinic in Shenzhen and as well as to explore other business opportunities for tapping into the medical and dental service market in PRC; and (iv) additional legal and professional fees incurred to ensure ongoing compliance with relevant rules and regulation after Listing.

Liquidity and financial resources

As at 31 March 2017, the Group had total assets of approximately HK$100.9 million (2016: approximately HK$47.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$21.8 million (2016: approximately HK$25.2 million) and approximately HK$79.1 million (2016: approximately HK$22.6 million), respectively.

The current ratio as at 31 March 2017 was approximately 3.6 times (2016: approximately 1.8 times).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2016/17. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements from time to time.

Foreign exchange exposure

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For FY2016/17, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

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

As at 31 March 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.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK$24.5 million as at 31 March 2017 (31 March 2016: approximately HK$6.4 million). As at 31 March 2017, the Group did not have any capital commitment.

Segment information

Segmental information is presented for the Group as disclosed in note 6 to the consolidated financial statements.

Significant investments held

On 20 July 2016, the Group entered into a placing letter with Convoy Asset Management Limited, as placing agent, in relation to the subscription of the Jun Yang Notes and First Credit Notes (as defined in the Company's announcement dated 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 investments held, future plans for material investment and capital assets as at 31 March 2017.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During FY2016/17, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the reorganization (as stated in the note 2 to the consolidated financial statements).

Contingent liabilities

As at 31 March 2017, the Group did not have any material contingent liabilities (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had a total of 95 employees, the table below is a breakdown of the number of our employees by functions as at 31 March 2016 and 31 March 2017:

	As at 31 March	
	2016	**2017**
Directors and senior management	6	**9**
Dental Clinics operation:		
— Dentists	10	**10**
— Dental Hygienists	3	**5**
— Dental Nurse	14	**16**
— Other supporting staff	12	**16**
MediNet Centres operation:		
— Nurses	7	**8**
— Other supporting staff	3	**3**
Other supporting staff (Note 1)	15	**24**
PRC operation:		
— Nurse	–	**1**
— Other supporting staff	–	**4**
Total (Note 2)	68	**95**

Note 1: Other supporting staff include human resources, administration, accounting, information technology and other back-office supporting staff.

Note 2: The number of employees in each category does not add up to the total number because 1 of our employees, who were senior management and our Dentists, were included in both categories "Director and senior management" and "Dentists" (2016: 2).

The Group remunerates its employees based on their qualification, position, experience, performance and seniority. In addition to salaries, our Dentists are also entitled to commission incomes which are determined based on certain agreed percentages of the fees or certain fixed amounts for certain types of dental services provided. Their remuneration package are normally renewed on annual basis based on performance appraisals and other relevant factors.

The remuneration packages of the Directors are reviewed by the Remuneration Committee according to the relevant Director's experience, responsibility, workload and the time devoted to the Group and recommend to the Board from time to time the remuneration and compensation of the Directors and senior management of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 31 March 2017 was approximately HK$42.96 million.

An analysis of the planned amount utilised up to 31 March 2017 is set out below:

	Planned amount utilised up to 31 March 17 HK$ million	Actual utilised amount as at 31 March 17 HK$ million	Unutilised amount out of the planned amount as at 31 March 17 HK$ million
Expand the operation of MediNet Centre and dental clinic in Central and Dental Clinic in Tsim Sha Tsui	6.30	4.16	2.14
Expand our MediNet Network	0.12	0.12	0.00
General working capital	0.12	0.12	0.00
	6.54	4.40	2.14

As disclosed in the Company's prospectus dated 24 May 2016 (the "**Prospectus**"), one of the Group's business strategies is to purchase a property for operation of Dental Clinic in Causeway Bay during the financial year ending 31 March 2018. With reference to the Company's announcement dated 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 as a whole.

Principal risks and uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

(i) our business of provision of corporate medical and dental solutions to Contract Customers is dependent on our ability to maintain our MediNet Network;

(ii) doctors, dentists and other professionals in our MediNet Network, together with our Group, could become the subject of claims, complaints, regulatory or professional investigations arising from medical or dental disputes or malpractice allegations brought by customers, which may harm our Group's business, results of operations, financial condition, brand and reputation;

(iii) our business operation is subject to extensive government regulations and any failure to comply with such regulations could result in penalties;

(iv) Contract Customers have no obligation to renew existing contracts with us upon contract expiry and self-paid patients have no obligation to continue to opt for our services, and any deterioration in the relationships with our customers could have a material adverse effect on our business, results of operations and financial condition;

(v) MediNet Centres may be affected by outbreaks of communicable disease; and

(vi) our business operations are affected by competition from other corporate medical and dental solutions providers and medical and dental services providers in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

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

Board of Directors

Our Board currently consists five Directors comprising two executive Directors and three independent non-executive Directors. The responsibilities of Directors include but are not limited to (i) convening general meeting, reporting on the Board's work at these meeting, implementing the Shareholders' resolutions passed at these meeting; (ii) determining business operation, financial, capital and investment plans; (iii) determining internal management structure, setting down fundamental management rules; (iv) appointing and discharging members of senior management, determining Directors' remuneration and formulating the proposals for profit distributions and for the increase or reduction of registered capital; and (v) taking responsibilities pursuant to the relevant laws, regulation and the articles and association of the Company.

Executive Directors

Mr. CHAN Chi Wai Nelson (陳志偉), aged 60, is the chairman of the Board, an executive Director, our compliance officer and one of our Controlling Shareholders. He is responsible for the overall business development and financial and strategic planning of our Group. He was appointed as a Director on 20 August 2015 and was re-designated as our executive Director, chairman of the Board and compliance officer on 19 May 2016 for an initial term of 3 years commencing on the Listing Date. He is also a director of MediNet Services, Well Being Dental, MediNet Health Centre, Men's Health Solutions, Medinet Privilege Ltd, 醫滙醫療服務(深圳)有限公司 and MediNet BVI.

Mr. Chan has over 33 years of experience in the corporate medical and dental solutions industry in Hong Kong. Prior to founding our Group in 1994, Mr. Chan had been employed by Bupa Ltd (at which his last position was manager) from 1983 to 1988 and HSBC Medical Insurance Limited (formerly known as Carlingford Medical Insurance Limited) (at which his last position was Medical Insurance Consultant) from 1989 to 1993. Mr. Chan received a Master of Business Administration from Buckinghamshire New University in February 2017 through distance learning. Mr. Chan is the spouse of Ms. Jiang, an executive Director.

Ms. JIANG Jie (姜洁), aged 35, is an executive Director and is principally responsible for our business development and customer relationship management. Ms. Jiang was appointed as a Director on 20 August 2015 and was re-designated as our executive Director on 19 May 2016 for an initial term of 3 years commencing on the Listing Date. She is also a director of MediNet Services, MediNet Health Centre, Men's Health Solutions, Medinet Privilege Ltd and MediNet BVI.

Ms. Jiang attended Shandong Province Qingdao The 16th Secondary School (山東省青島第十六中學) in the People's Republic of China from September 1994 to July 1997 and obtained a certificate of graduation (畢業證書) from it in July 1997. She also attended Shandong Province Wuzi School (山東省物資學校) (which was merged into University of Jinan (濟南大學) in April 2001) in the People's Republic of China from September 1997 to July 2000 with a major in corporate management (企業管理) and obtained a certificate of graduation (畢業證書) from it in July 2000.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Jiang joined our Group in September 2009 and has since then accumulated more than 7 years of experience in the operation of our Group. Since joining our Group, Ms. Jiang has been in charge of our business development and customer relationship management, including but not limited to the liaison with existing and potential customers as well as other business development activities such as our corporate websites operation and the distribution of brochures and pamphlets in our MediNet Centres and Dental Clinics. Ms. Jiang is the spouse of Mr. Chan.

Independent Non-executive Directors

Dr. LIEU Geoffrey Sek Yiu (廖錫堯), aged 67, was appointed as an independent non-executive Director on 19 May 2016. Dr. Lieu is the founder and a Chairman Emeritus of the Institute for Health Policy and Systems Research, a non-profit independent organization established in 1997 which aims to promote, conduct and exchange timely information on health services and policy research in Hong Kong. From January 2002 to December 2014, Dr. Lieu was the Chairman of Hong Kong Healthcare Corporation Limited. From January 1991 to June 2000, Dr. Lieu was the Deputy Director (Management) of the Hong Kong Hospital Authority, a statutory body established under the Hospital Authority Ordinance (Chapter 113 of the Laws of Hong Kong) in 1990.

Dr. Lieu currently holds adjunct and visiting academic appointments at a number of post-graduate educational institutions, including The University of Minnesota School of Public Health, The Hong Kong Polytechnic University Faculty of Health and Social Sciences and The Hong Kong University SPACE institute for China Business.

Dr. Lieu graduated from St. Olaf College, the United States with a Bachelor of Arts degree in May 1972. He obtained a Master's degree in Health Administration from Washington University in St. Louis, the United States in May 1974. He also obtained a Doctorate degree in Business Administration from The Hong Kong Polytechnic University in December 1999.

Mr. LEUNG Po Hon (梁寶漢), aged 53, was appointed as an independent non-executive Director on 19 May 2016. Mr. Leung is currently a practicing Accountant. He was admitted as a member of the HKICPA in January 1993 and a fellow member of the Association of Chartered Certified Accountants since January 1997.

Mr. Leung graduated from The Hong Kong Polytechnic University with a Professional Diploma in Accountancy in November 1987. He also obtained a Master's degree of Business Administration from University of Bradford, the United Kingdom in December 1990. Mr. Leung has more than 20 years of experience in accounting, auditing and financial management.

Mr. Leung currently holds the following positions in companies listed on the Stock Exchange:

Company	Stock code	Position currently held by Mr. Leung	Appointment date
Flying Financial Service Holdings Limited	8030	Independent non-executive director	15 August 2014
Kingbo Strike Limited	1421	Independent non-executive director	13 November 2015
China Graphene Group Limited	63	Independent non-executive director	6 November 2015

Mr. Leung previously held the following position in company listed on the Stock Exchange:

Company	Stock code	Position previously held by Mr. Leung	Appointment date	Resignation date
China Investment Fund International Holdings Limited	612	Independent non-executive director	1 May 2015	9 May 2016
Success Dragon International Holdings Limited	1182	Independent non-executive director	16 July 2015	29 August 2016

Mr. WONG Wai Leung (黃偉樑), aged 39, was appointed as an independent non-executive Director on 19 May 2016. Mr. Wong is currently an executive director, the chief financial officer and company secretary of Qinqin Foodstuffs Group (Cayman) Company Limited, a company principally engaging in the manufacturing, distribution and sale of food and snacks products in the PRC, since March 2016 up to the present and is responsible for corporate development, investment, accounting and financial matters. He is also a director of Lianjie Sports Investments Limited, a private company which manages investments and trusts for a family office. Mr. Wong also serves as a board member of Hong Lok Yuen International School Association Limited and International College Hong Kong Limited, which operate certain international schools in Hong Kong. He was previously employed by Ernst & Young Hong Kong from September 2000 to August 2009. He has been a member of the HKICPA since July 2004 and a fellow member of the Association of Chartered Certified Accountants since September 2010.

Mr. Wong received a Bachelor of Business Administration degree from The Hong Kong University of Science and Technology in Hong Kong in November 2000. He has over 15 years of experience in accounting, auditing and financial management.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in relevant letters of appointment.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Senior management

The following are the senior management team of our Group:

Ms. LI Christine (李依皓), aged 43, is our general manager and is primarily responsible for the overall management of our Group's day-to-day operations and the implementation of our business strategies. She joined our Group in August 1995 and has since then accumulated more than 20 years of experience in the operation of our Group. Ms. Li has received a degree of Bachelor of Social Science from the Chinese University of Hong Kong in December 1995. She has not held any directorships in any public listed companies in the past three years.

Ms. NGAN Pui Shan, Jane (顏佩珊), aged 42, is our financial controller. She is primarily responsible for our financial reporting, financial planning, treasury, financial control and overall company secretarial matters. She joined our Group in September 1996 and has since then accumulated more than 19 years of experience in our Group's operation. Ms. Ngan received a Bachelor of Arts (Honours) degree in Accounting from Edinburgh Napier University in Scotland in April 2004 through distance learning. She also received a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2015. She has been a member of the Association of Chartered Certified Accountants since May 2012. She has not held any directorships in any public listed companies in the past three years.

Mr. WONG Siu Kay (黃兆基), aged 46, is one of our Dentists and a director of Well Being Dental. He is primarily responsible for the operation of our Dental Clinics and the provision of dental services. He joined our Group in July 1997 and has since then accumulated more than 18 years of experience in the operation of our Group. He has been a Registered Dental Practitioner since August 1996. Mr. Wong obtained a degree of Bachelor of Dental Surgery from The University of Hong Kong in November 1996. He has not held any directorships in any public listed companies in the past three years.

Company Secretary

Mr. LEUNG Man Fai (梁文輝), aged 60, was appointed as the company secretary of our Company on 22 November 2015. Mr. Leung graduated from Manchester Polytechnic, the United Kingdom with a degree of Bachelor of Arts in Accounting and Finance awarded by the Council for National Academic Awards of the United Kingdom in July 1988. He also obtained a degree of Master of Commerce in Accounting from the University of New South Wales in May 1990. Mr. Leung has been the director of IBC Certified Public Accountants Limited since August 2008 up to the present. He was the executive director, finance manager and company secretary of Lerado Group (Holding) Company Limited (which is listed on the Stock Exchange with stock code 1225) from July 1995 to August 2014. He was previously employed by Chewy International Foods Ltd. as a financial controller from January 1993 to January 1995. Mr. Leung has been a member of the HKICPA since June 1991.

CORPORATE GOVERNANCE REPORT

Pursuant and Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Group for the year ended 31 March 2017.

The Directors and the management of the Group recognise the importance of sound corporate governance to the longterm success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

INTRODUCTION

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in Appendix 15 of the GEM Listing Rules. During the period from the listing Date and up to the date of this report, to the best knowledge of the Board, the Company has complied with the applicable code provisions set out in the Code exclude the Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules — segregation of the roles of chairman and chief executive as the Board believes that the vesting of the roles of chairman and chief executive in Mr. Chan Chi Wai, Nelson is beneficial to the Group.

BOARD OF DIRECTORS

The Board is responsible for coordinating and supervising the Company and identifying its deviations so as to achieve the success of the Company. The Board has established board committees, and delegated their respective duties in accordance terms and references to board committees. Details of the respective committee's terms of reference are available at the Company's and the Stock Exchange's websites. All Directors have carried out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Board reserves discretion to decide on all major matters relating to policy matters, strategies and budgets, internal control and risk management, discloseable transactions and connected transactions, nomination of Directors and company secretary (or joint company secretaries) and other material financial and operation matters. All Directors contributed precious business experience, knowledges and professions to keep the Company functioning with high efficiency. All Directors can obtain comprehensive relevant materials and receive from the company secretary (or joint company secretaries) advice and services to ensure the Board procedures and all applicable laws, rules and regulations are followed.

The Board has delegated to the senior management the responsibility for the day-to-day management, administration and operation of the Group, the authorities delegated to managements are being reviewed regularly. The senior management has to be authorized before entering into any material transactions.

The Board is subject to the Code provisions D.3.1 concerning corporate governance. The Board has reviewed and discussed the corporate governance policy of the Group, and was satisfied with the performance of the corporate governance policy.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently comprises five Directors, of which two are executive Directors, and three are independent non-executive Directors. The composition of the Board is as follows:

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

From the Listing Date and up to the date of this report, there was no change in the composition of the Board.

The biographical details of the Directors and their relationship (if any) are set out in the section headed "Directors and Senior Management Profile" on pages 14 to 17 of this report.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. Independent non-executive directors are also listed out in all corporate communications issued by the Company pursuant to the GEM Listing Rules. The Company should maintain on its website and on the Stock Exchange's website an updated list of directors identifying their role and function and whether they are independent non-executive directors.

Save as disclosed in this annual report, as far as the Company has knowledge, there is no relationship (including financial, business, family or other material relationship(s)) among the Board members.

Throughout the period from the Listing Date to the date of this report, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, accounting for at least one third of Board, with at least one independent non-executive directors possessing the appropriate professional qualifications, accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. According to the guidelines set out in the provision 5.09 of GEM Listing Rules, the Company has also received written confirmation from each of the independent non-executive directors in respect of their independence. The Company considers that all independent non-executive directors are being considered to be independent by reference to the factors stated in the GEM Listing Rules.

Appointment and re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The nomination committee is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. As the shares of the Company were not yet listed on GEM until the Listing Date, the Model Code was not applicable to the Company during the year before the Listing Date. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this report.

Board Meeting, General Meeting and Procedures

Attendance and Number of Board meetings

Pursuant to the code provision A.1.1, the Board meeting should be held at least four times a year at approximately quarterly intervals. Regular Board meetings will normally involve the active participation, either in person or through electronic means of communications of a majority of Directors entitled to be present.

The attendance of the Directors at the general meeting of the Company, meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee during the year are set out below:

	Number of meetings attended/held				
Director	General meetings	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors					
Mr. Chan Chi Wai, Nelson	1/1	4/4		1/1	1/1
Ms. Jiang Jie	1/1	4/4			
Non-executive Directors					
Dr Lieu Geoffrey Sek Yiu	1/1	4/4	4/4		
Mr. Leung Po Hon	1/1	4/4	4/4	1/1	1/1
Mr. Wong Wai Leung	1/1	4/4	4/4	1/1	1/1

Practices and Guidelines of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance. The Company has arrangement to ensure that the Directors have opportunity to propose matters to be discussed into the meeting agenda.

Notice of regular Board meetings are normally served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board documents together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meetings to keep the Directors apprised of the latest development and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, regulatory compliance matters, corporate governance and other major aspects of the Company.

The Company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Minutes of Board meetings and meetings of committees should record in sufficient detail the matters considered and decision reached, including any concerns raised by Directors or dissenting views expressed. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Director's inspection.

The Articles of Associations contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Chi Wai Nelson is the chairman of the Board and also our executive director who is responsible under the immediate authority of the Board of the conduct of the business of our Group and is therefore our chief executive for the purpose of the GEM Listing Rules.

Mr. Chan has been managing our Group's business and the overall financial and strategic planning since 1994. The Board believes that the vesting of the roles of Chairman and Chief executive in Mr. Chan is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors who represent more than half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of its chairman and chief executive as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

BOARD COMMITTEES

The Board established three committees namely audit committee, nomination committee and remuneration committee to oversee particular aspects of the Group's affairs. Each of the three committees has its defined scope of duties and terms of reference.

The majority of members of audit committee, nomination committee and remuneration committee are independent non-executive directors.

The Board committees have sufficient resources to perform its duties and are able to seek independent professional advice in appropriate circumstances at the Company's expense.

AUDIT COMMITTEE

The Company established an audit committee (the "**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 of our Company comprises of the three independent non-executive Directors, namely Dr. Lieu Geoffrey Sek Yiu, Mr. Leung Po Hon and Mr. Wong Wai Leung. Mr. Leung Po Hon currently serves as the chairman of the Audit Committee.

NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination Committee**") on 19 May 2016 and has formulated its written terms of reference by reference to the CG Code set out in Appendix 15 to the GEM Listing Rules.

The Nomination Committee has three members, namely Mr. Chan Chi Wai, Nelson and also two independent non-executive Directors, namely Mr. Leung Po Hon and Mr. Wong Wai Leung and Mr. Leung Po Hon currently serves as the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are (among other things) to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and recommend to the Board suitably qualified candidates to become a member of the Board, monitor the succession planning of the Directors and assess the independence of the independent non-executive directors. The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration Committee**") on 19 May 2016 and has formulated its written terms of reference in compliance with the GEM Listing Rules. The Remuneration Committee has three members, namely Mr. Chan Chi Wai, Nelson and also two independent non-executive directors, namely Mr. Leung Po Hon and Mr. Wong Wai Leung and Mr. Wong Wai Leung currently serves as the chairman of Remuneration Committee.

The primary duties of the Remuneration Committee are (among other things) (i) to make recommendation to the Board the terms of remuneration packages, bonuses and other compensation (including benefits in kind, pension rights and compensation payments, or any compensation payable for loss or termination of their office or appointment) payable to the Directors and senior management; (ii) to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management; and (iii) to assess performance of the executive directors and approve the terms of the service contracts of the Directors.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that the Directors keep abreast of the relevant industry knowledge and skills as well as regulatory updates.

The Directors are regularly briefed on the latest changes and development of the GEM Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on the professional knowledge and the latest development of the regulatory requirements related to director's duties and responsibilities.

All Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibilities of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminars to develop professional skills.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Leung Man Fai was appointed as the Company Secretary of the Company on 22 November 2015. He is responsible for ensuring a good information flow within the Board and the compliance of the Board policy and procedures.

Mr. Leung is going to comply with the relevant professional training requirements under Rule 5.15 of the GEM Listing Rules starting from the financial year 2016, as the Company only became listed on GEM on 31 May 2016. His biographical details are set out in the section headed "Directors and Senior Management Profile" on page 14 of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the financial statements for the year ended 31 March 2017.

The Board is responsible to present a balanced, clear and understandable assessment in the Company's annual and interim report, price-sensitive announcement and other financial disclosures required under the GEM Listing Rules and other requirements from relevant regulations.

Senior Management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibility to ensure that the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Group during the year. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been conducted on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

ROLE OF COMPLIANCE OFFICER

The compliance officer is responsible for establishing a formal mechanism for risk assessment and management, monitoring the effectiveness of the Company's internal control system and procedures and assessing the remediation status.

EXTERNAL AUDITOR'S REMUNERATION

During the year ended 31 March 2017, the Company engaged Deloitte Touche Tohmatsu as the external auditors. Apart from providing audit services, Deloitte Touche Tohmatsu also provided non-audit services in connection with the Group's listing on GEM. The fees in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 March 2017 approximately amounted to HK$750,000 and HK$353,000 respectively. The reporting responsibilities of Deloitte Touche Tohmatsu are set out in the Independent Auditor's Report on pages 33 to 37 of this report.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

Pursuant to the Company's Articles of Association, any shareholder(s) holding at the date of the deposit of the requisition not less than one- tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring an extraordinary general meeting (the "**EGM**") to be called by the Board. The written requisition (i) must state the purposes of the EGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the EGM will not be convened as requested.

If the Board does not within twenty-one days from the date of the deposit of the requisition proceed duly to convene an EGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene an EGM, but any EGM so convened shall not be held after expiration of two months from the said date of deposit of the requisition. An EGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any EGM to be convened by the Board.

Right to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his or her proposal (the "**Proposal**") with his or her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

Right to make enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 16/F, 101 King's Road, North Point. Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CONSTITUTIONAL DOCUMENTS

During the period from the Listing Date to the date of this report, there had been no significant change in the Company's constitutional documents. The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company to formulate investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their inquiries to the Company's website www.MediNetGroup.com to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The management provides such explanation and information to the Board and reports to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. As at the date of this report, the Board was not aware of any material uncertainties relating to any events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditor about their reporting responsibility is set out in the section headed "Independent Auditor's Report" of this report.

REPORT OF THE DIRECTORS

The Board of Directors of the Company is pleased to present their first report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 August 2015. In preparing for the Listing, the Group underwent the Reorganisation (as defined under note 2 to the consolidated financial statements) and the Company became the holding company of the companies comprising the Group upon the completion of the Corporate Reorganisation on 11 November 2015.

Details of the Corporate Reorganisation are set out in note 2 to the consolidated financial statements. The shares of the Company were listed on GEM of the Stock Exchange with effect from 31 May 2016.

PRINCIPAL ACTIVITIES

We are principally engaged in the provision of corporate medical and dental solutions to our Contract Customers as well as the operation of our MediNet Centres and Dental Clinics offering services to both Plan Members and Self-paid patient. We intend to pursue the following strategies: (i) expanding the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui by leasing and relocating to suitable and large premises in the respective same districts; (ii) purchase a property for our operation of Dental Clinic in Causeway Bay to reduce our rental expenses; and (iii) expanding our MediNet Network by increasing the number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network and broadening the range of auxiliary services coverage in the relevant corporate medical benefit plans for our Contract Customers.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimize its impact on the environment so we encourage our staff not only to save water and electricity consumption and also recycle office supplies and other materials.

COMPLIANCE OF LAWS AND REGULATIONS

The Group is aware of the importance of complying with the relevant laws, regulations and code of professional conduct therefore the Company has established and operated according to the provisions and codes. From the Listing Date to the date of this report, the knowledge of Directors, the Company is in compliance with the Securities and Futures Ordinance (the “SFO”), GEM Listing Rules and other relevant codes and regulations.

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 March 2017 is set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of this report and the financial position of the Group as at 31 March 2017 are set out in the consolidated statement of financial position on page 39 of this report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for 11 August 2017. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from 9 August 2017 to 11 August 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 8 August 2017.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2017, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

GOING CONCERN

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the consolidated financial statements were prepared on a "going concern" basis.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 March 2017 are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

As at 31 March 2017, we did not have any short-term or long-term bank borrowings.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2017 are set out in note 24 to the consolidated financial statements in this report.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 41 of the consolidated statement of changes in equity of this report.

CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2017, the Group made HK$3,100 charitable contributions.

REPORT OF THE DIRECTORS

EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, no significant events have taken place subsequent to 31 March 2017 and up to the date of this report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report.

MAJOR CUSTOMERS

During the year ended 31 March 2017, sales to the Group's five largest customers accounted for approximately 33% of total sales and sales to the largest customer included therein amounted to approximately 14.2% of total sales.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 March 2017.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANT

None of the Directors had a material interest, whether directly or indirectly, in any transactions, arrangements and contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during or at the end of the year ended 31 March 2017.

As of 31 March 2017, no transactions, arrangements and contracts of significance had been entered into between the Company, or any of its subsidiaries and the Controlling Shareholders of the Company or any of its subsidiaries.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors nor the Controlling Shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 March 2017.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive directors were independent during the period from their respective appointments and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year ended 31 March 2017.

PERMITTED INDEMNITY PROVISION

The Articles and Association provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. In addition, the Company has arranged for appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

On the date of Listing, the Directors and the chief executive of our Company had interests in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of part XV of SFO):

As at 31 March 2017, 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 associated corporation (within the meaning of Part XV of the SFO as recorded in the register required to the be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

	Number of ordinary shares held, capacity and nature of interest			
Name of Director	Directly and beneficially owned	Through controlled corporations	Total	Approximate percentage of the Company's issued share capital
Mr. Chan Chi Wai, Nelson (Note 1)	–	585,000,000	585,000,000	56.25%
Ms. Jiang Jie (Note 2)	–	585,000,000	585,000,000	56.25%

Notes:

1. MediNet International Limited is wholly and beneficially owned by Mr. Chan Chi Wai, Nelson ("**Mr. Chan**") Therefore, Mr. Chan is deemed to be interested in the Shares held by Medinet International Limited under the SFO. Mr. Chan is the sole director of MediNet International Limited.

2. Ms. Jiang Jie ("**Ms. Jiang**") is the spouse of Mr. Chan. Accordingly, Ms. Jiang is deemed to be interested in the Shares deemed to be interested by Mr. Chan under the SFO.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2017, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO as follows:

Long positions in ordinary shares of the Company

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
NSD Capital	Beneficial owner	195,000,000	18.75%
Convoy Fund Management Limited (formerly known as DRL Capital Investment Management Limited "**CFM**")	Interest of a controlled Corporation	195,000,000	18.75%
Convoy Global Holdings Limited (formerly known as "Convoy Financial Holdings Limited") ("**Convoy Global**")	Interest of a controlled Corporation	195,000,000	18.75%

Note: NSD Capital 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 Global (a company listed on the Main Board of the Stock Exchange (stock code: 1019)). Therefore, each of CFM and Convoy Global is deemed to be interested in the Shares held by NSD Capital under the SFO.

Save as disclosed above, as at 31 March 2017, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

A full corporate governance report is set out on pages 18 to 26 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Island, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders unless otherwise required by the Stock Exchange.

REPORT OF THE DIRECTORS

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Messis Capital Limited, as at 31 March 2017, save for the compliance adviser agreement dated entered into between the Company and Messis Capital Limited, neither Messis Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIVIDEND

The Board does not recommend the payment of any dividend for the FY2016/17 (2015/16: HK$0.12).

BUSINESS REVIEW

Further discussion and analysis of the principal risks and uncertainties facing the Group and an indication of likely future plans in the Group's business, can be found in the "Management Discussion and Analysis" of this Annual Report. The above sections form part of this Report of the Directors.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Chan Chi Wai, Nelson
Chairman

Hong Kong, 28 June 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF MEDINET GROUP LIMITED
醫匯集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MediNet Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 38 to 87, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified revenue recognition as a key audit matter as revenue is one of the key performance indicators of the Group and the Group's revenue from provision of medical solutions to insurance companies involves significant volume of transactions recorded in the Group's operational system. The recognition of such revenue is highly dependent on the information data generated from the operational system. Hence, it gives rise to an inherent risk that such revenue could be misstated or subject to manipulation. For the year ended 31 March 2017, the Group recognised revenue of approximately HK$34,858,000 in respect of provision of medical solutions to insurance companies; Details of revenue from provision of medical solutions to insurance companies are set out in note 6 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Understanding and testing the controls over the validity of the data from the operational system and transmission of the information data from the operational system to the accounting system; • Engaging our internal IT specialists to verify the accuracy of consultation fee to be billed to insurance companies, by extracting relevant data from the operational system to recalculate the amount of the transactions for selected months; • Selecting samples of revenue transaction and checking to supporting documents and settlement documents; and • Performing analytical review procedures on revenue deriving from the provision of medical solutions to insurance companies and identifying and obtaining explanation for fluctuation noted.
Valuation of accounts receivables	
We identified the valuation of accounts receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the use of judgment in estimates in assessing the recoverability of accounts receivables. In determining the allowance for accounts receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the accounts receivables. At 31 March 2017, the carrying amount of accounts receivables is HK$7,791,000. No allowance for doubtful debts was made for the year. Details of accounts receivables are set out in note 19 to the consolidated financial statements.	Our procedures in relation to valuation of accounts receivables included: • Obtaining an understanding of the Group's control over credit policy and collection, and how allowance for doubtful debts is estimated by the management; • Testing the key controls of the Group relating to the preparation of the aging analysis of accounts receivables and testing the accuracy of aging analysis of the accounts receivables by checking to the underlying settlements documents on sample basis; • Testing the settlements record during the year and settlements of the accounts receivables subsequent to the balance sheet date, on a sample basis, to the source documents; and • Assessing the reasonableness of recoverability of accounts receivables with reference to the credit history including settlement records, subsequent settlements and aging analysis of each individual corporate customers and insurance companies.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Faith Corazon Del Rosario.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
Revenue	6	**99,206**	92,576
Other income	7	**981**	2,262
Other gains and losses	8	**114**	(1,301)
Medical and dental professional services expenses	10	**(50,125)**	(44,803)
Staff costs	10	**(25,064)**	(19,496)
Depreciation of property, plant and equipment		**(1,454)**	(2,224)
Cost of medical and dental supplies		**(4,036)**	(2,900)
Rental expenses		**(6,787)**	(4,395)
Other expenses		**(12,283)**	(8,684)
Finance costs	9	**–**	(534)
Listing expenses		**(4,190)**	(10,443)
(Loss) profit before taxation	10	**(3,638)**	58
Income tax expense	11	**(865)**	(2,314)
Loss for the year		**(4,503)**	(2,256)
Other comprehensive income for the year			
Item that will not be subsequently reclassified to profit or loss:			
Surplus on revaluation of a land and building		**–**	1,652
Total comprehensive expense for the year		**(4,503)**	(604)
Loss for the year attributable to:			
Owners of the Company		**(4,261)**	(2,256)
Non-controlling interest		**(242)**	–
		(4,503)	(2,256)
Total comprehensive expense attributable to:			
Owners of the Company		**(4,261)**	(604)
Non-controlling interest		**(242)**	–
		(4,503)	(604)
Loss per share — Basic			
(Hong Kong cents)	14	**(0.43)**	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**4,635**	1,896
Loan receivables	16	**13,000**	–
Rental deposits	19	**2,295**	652
Other receivables	19	**2,312**	–
Deferred tax assets	23	**180**	83
		22,422	2,631
Current assets			
Inventories	17	**465**	504
Held-for-trading investments	18	**–**	3,413
Accounts and other receivables	19	**11,432**	18,133
Amount due from a director	20	**142**	660
Amounts due from related parties	20	**–**	352
Amount due from a non-controlling interest	20	**5**	–
Tax recoverable		**1,394**	–
Short-term bank deposits	21	**35,000**	–
Bank balances and cash	21	**30,002**	22,054
		78,440	45,116
Current liabilities			
Accounts and other payables	22	**21,735**	24,550
Taxation payable		**–**	602
		21,735	25,152
Net current assets		**56,705**	19,964
Total assets less current liabilities		**79,127**	22,595
Non-current liability			
Deferred tax liabilities	23	**26**	1
		26	1
Net assets		**79,101**	22,594

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	NOTE	**2017 HK$'000**	2016 HK$'000
Capital and reserves			
Share capital	24	**10,400**	– [+]
Reserves		**68,938**	22,594
Equity attributable to owners of the Company		**79,338**	22,594
Non-controlling interest		**(237)**	–
Total equity		**79,101**	22,594

[+] Less than HK$1,000.

The consolidated financial statements on pages 33 to 87 were approved and authorised for issue by the directors on 28 June 2017 and are signed on its behalf by:

Chan Chi Wai, Nelson
DIRECTOR

Jiang Jie
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2017

	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	20,510	–	(1,253)	–	44,767	1,991	66,015	–	66,015
Loss for the year	–	–	–	–	–	(2,256)	(2,256)	–	(2,256)
Surplus on revaluation of a land building	–	–	–	–	1,652	–	1,652	–	1,652
Total comprehensive income (expense) for the year	–	–	–	–	1,652	(2,256)	(604)	–	(604)
Issue of shares of Medinet (BVI) (see note 2(a))	5	–	–	–	–	–	5	–	5
Effect of reorganisation (note b)	(20,515)	–	–	20,515	–	–	–	–	–
Reversal of previously recognised deferred tax of a leasehold property upon disposal	–	–	–	–	8,178	–	8,178	–	8,178
Realisation of property revaluation reserve upon disposal of a land and building	–	–	–	–	(54,597)	54,597	–	–	–
Dividend (note 13)	–	–	–	–	–	(51,000)	(51,000)	–	(51,000)
At 31 March 2016	–[+]		(1,253)	20,515	–	3,332	22,594	–	22,594
Loss and total comprehensive expense for the year	–	–	–	–	–	(4,261)	(4,261)	(242)	(4,503)
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 (note 13)	–	–	–	–	–	(1,248)	(1,248)	–	(1,248)
At 31 March 2017	10,400	51,853	(1,253)	20,515	–	(2,177)	79,338	(237)	79,101

[+] Less than HK$1,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2017

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 year ended 31 March 2016. 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 (i) 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 in Well Being, Medinet Services, Medinet Health Centre and Men's Health Solutions Limited ("Men's Health Solutions") (collectively referred as the "Hong Kong Subsidiaries") and the nominal value of share capital of the Hong Kong Subsidiaries; and (ii) 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 listing expenses, were credited to share premium account of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(3,638)**	58
Adjustments for:		
Interest income	**(695)**	(313)
Depreciation of property, plant and equipment	**1,454**	2,224
Finance costs	**–**	534
Dividend income	**–**	(139)
Gain on disposal of property, plant and equipment	**(140)**	–
Unrealised loss on fair value change of held-for-trading investments	**–**	1,170
Loss on written off of property, plant and equipment	**–**	131
Operating cash flows before movements in working capital	**(3,019)**	3,665
Decrease (increase) in inventories	**39**	(504)
Decrease in held-for-trading investments	**3,413**	–
Decrease (increase) in accounts and other receivables and rental deposits	**2,897**	(2,694)
(Decrease) increase in accounts and other payables	**(2,815)**	5,578
Cash generated from operations	**515**	6,045
Hong Kong Profits Tax paid	**(2,933)**	(2,528)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(2,418)**	3,517
INVESTING ACTIVITIES		
Placement of short-term bank deposits with maturity over three months	**(35,000)**	–
Purchase of loan receivables	**(13,000)**	–
Purchase of property, plant and equipment	**(4,193)**	(584)
Advance to a director	**(650)**	(660)
Advances to related parties	**–**	(4,011)
Repayment from a director	**1,168**	20,155
Interest received	**544**	1
Repayments from related parties	**352**	–
Proceeds from disposal of property, plant and equipment	**140**	–
Dividend received	**–**	139
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(50,639)**	15,040

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 March 2017

	2017 **HK$'000**	2016 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of new shares upon listing	**70,200**	-
Share issue expense	**(7,947)**	-
Dividend paid	**(1,248)**	-
Advance from a director	**–**	225
Issue of shares	**–**	5
Listing expenses	**–**	(3,065)
Repayments of bank borrowings	**–**	(2,202)
Repayment to a director	**–**	(1,332)
Interest paid	**–**	(534)
Repayment of finance lease obligation	**–**	(88)
Repayments to related parties	**–**	(37)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**61,005**	(7,028)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,948**	11,529
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**22,054**	10,525
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**30,002**	22,054

1. GENERAL

MediNet Group Limited ("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 and principal place of business of the Company are disclosed in the corporation information section of the annual report. 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 acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 31.

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

2. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Historically, all the entities comprising the Group were controlled by Mr. Chan Chi Wai, Nelson ("Mr. Chan") and held by him directly or indirectly. In preparation for the listing of the Company's shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation ("Reorganisation") to enable the Company to become the holding company of the Group which involves the principle steps of the Reorganisation as follows:

(a) On 12 August 2015, Medinet (BVI) was incorporated in BVI with limited liability with an issued share capital of US$600 divided into 600 ordinary shares, issued to Medinet International for cash.

(b) On 20 August 2015, the Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, the Company had an authorised share capital of HK$390,000 divided into 39,000,000 ordinary shares, of which one subscriber share was allotted and issued and such one share was transferred to Medinet International on the same date.

(c) On 28 August 2015, Medinet (BVI) acquired 99.9998% and 0.0002% of the issued share capital of Medinet Health Centre from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.

(d) On 28 August 2015, Medinet (BVI) acquired 99.99999% and 0.00001% of the issued share capital of Medinet Services from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.

2. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(e) On 28 August 2015, Medinet (BVI) acquired 99.99999% and 0.00001% of the issued share capital of Well Being from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.

(f) On 28 August 2015, Medinet (BVI) acquired 100% of the issued share capital of Men's Health Solutions from Mr. Chan in consideration of 100 shares of Medinet (BVI) allotted to Medinet International (as a nominee of Mr. Chan).

(g) On 28 October 2015, Medinet International entered into a sale and purchase agreement with NSD Capital Limited ("NSD Capital"), an independent third party, pursuant to which Medinet International transferred 250 shares of Medinet (BVI) to NSD Capital at a cash consideration of HK$45,000,000. Upon completion of the transfer, Medinet (BVI) is owned as to 75% by Medinet International and 25% by NSD Capital.

(h) On 11 November 2015, Medinet International and NSD Capital transferred 750 shares and 250 shares of Medinet (BVI) to the Company, in consideration of the Company allotted and issued 74 shares and 25 shares, all credited as fully paid, to Medinet International and NSD Capital, respectively.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 11 November 2015. The Company and its subsidiaries have been under the common control of Mr. Chan throughout the year ended 31 March 2016 or since their respective date of incorporation, where there is a shorter period. The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows which include the results, changes in equity and cash flows of the companies now comprising the Group for the year ended 31 March 2016 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 31 March 2016, or since the respective date of incorporation of the relevant entity where this is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

HKFRS9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedger accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group:

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, the application of HKFRS 9 in the future may have an impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit loss which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$24,523,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the entities now comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for services provided in the normal course of business, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the provision of medical and dental solution services is recognised upon the provision of the relevant services or on a time proportion basis over the terms of the service contracts, as appropriate.

Income from the provision of medical and dental services is recognised upon rendering of the relevant services.

Income from the provision of other services is recognised upon rendering of relevant services.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than leasehold land and building, held for use in the production of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Land and building held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and building is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and building is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued land and building is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits (accumulated losses).

Depreciation of property, plant and equipment is recognised so as to write off the cost or fair value of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profits or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner as described in note 30.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, accounts and other receivables, amounts due from related parties, a director and a non-controlling interest, short-term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio passed the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, representing accounts and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and government-managed retirement benefit schemes in the People's Republic of China ("PRC"), are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interest as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of the reporting period.

Valuation of accounts receivables

In determining the allowance for accounts receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the accounts receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of accounts receivables is approximately HK$7,791,000 (2016: HK$9,598,000). No impairment loss on accounts receivables was recognised during both years.

Annual retainer contracts

The Group enters into medical and dental contracts with contract customers where the contract customers would pay a fixed fee to the Group generally in advance for (i) unlimited or specified number of visit in relation to a specified range of medical and dental services within a specified period; and (ii) for other medical and dental services not covered in (i), generally at a discounted price within such specified period, through (a) medical centres and dental clinics owned and operated by the Group, or (b) medical centres and auxiliary service providers not owned nor operated by the Group but agreed to provide various medical services to the contract customers of the Group under a network of healthcare service providers maintained by the Group (the "Annual Retainer Contracts"). The level of services to be rendered under the Annual Retainer Contracts is uncertain and depends on uncertain future events. The Group has to consider whether the cost of meeting its contractual obligations to provide the services under the Annual Retainer Contracts may exceed the revenue it will receive and the probability of such risk (the "Risk"), when assessing the pricing and provisioning for such contracts.

The frequency and severity of the Risk are affected by many factors, including, inter alia, the health status and awareness of the persons covered by the Annual Retainer Contracts and that of the general public in Hong Kong, the outbreak/potential outbreak of any epidemic, climatic changes, the duration of those contracts (which in general are of short duration), as well as a diversity of social, industrial and economic factors. The risk associated with such factors (including any undue concentration thereof and the probability of the occurrence of certain events affected by them) on the actual utilisation ratio for individual contracts is the key source of uncertainty that needs to be estimated.

The Group manages the Risk through periodic review of the estimated and actual utilisation ratio of individual contracts and revises the relevant fee schedules and whether or not to renew such Annual Retainer Contracts after assessment.

6. REVENUE AND SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of service provided. The Group's operating segments are classified as (i) dental solutions and dental services; and (ii) medical solutions and medical services which based on the nature of the operations carried out by the Group. The details of the Group's operating segments are as follows:

(i)	Dental solutions and dental services	Provision of dental solutions and dental services by dental clinics owned and operated by the Group
(ii)	Medical solutions and medical services	Provision of medical solutions and operation of medical centres offering outpatient general services and men's health treatments through (a) medical centres owned and operated by the Group, or (b) medical centres and auxiliary services providers not owned nor operated by the Group but agreed to provide various medical services to the contract customers of the Group

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

Year ended 31 March 2017

	Dental solutions and dental services HK$'000	Medical solutions and medical services HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
SEGMENT REVENUE					
External revenue	24,299	74,907	99,206	–	99,206
Inter-segment revenue	810	–	810	(810)	–
Segment revenue	25,109	74,907	100,016	(810)	99,206
Segment profit	1,089	6,933	8,022		8,022
Unallocated expenses					(8,271)
Unallocated income					827
Unallocated loss					(26)
Listing expenses					(4,190)
Loss before taxation					(3,638)
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	392	1,062	1,454		1,454
Gain on disposal of property, plant and equipment	–	140	140		140

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

Year ended 31 March 2016

	Dental solutions and dental services HK$'000	Medical solutions and medical services HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
SEGMENT REVENUE					
External revenue	23,951	68,625	92,576	–	92,576
Inter-segment revenue	581	–	581	(581)	–
Segment revenue	24,532	68,625	93,157	(581)	92,576
Segment profit	2,640	9,900	12,540		12,540
Unallocated expenses					(2,318)
Unallocated income					2,114
Unallocated losses					(1,301)
Finance costs					(534)
Listing expenses					(10,443)
Profit before taxation					58
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	502	839	1,341		1,341

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of unallocated expenses, income and losses mainly including certain depreciation, general office expenses, listing expenses, other service income, dividend income, interest income, other gains and losses, finance costs and income tax expense. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are priced with reference to prices charged to external parties for similar services.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

The following is an analysis of the Group's revenue by type of services:

Revenue from type of services

	2017 **HK$'000**	2016 HK$'000
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical solutions		
— Insurance companies	**34,858**	34,247
— Corporations	**22,463**	19,148
	57,321	53,395
Dental solutions	**6,936**	7,839
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	**17,586**	15,230
Dental services	**17,363**	16,112
	99,206	92,576

Information about major customers

Revenue from major customers which accounted for 10% or more of the Group's revenue is set out below:

	2017 **HK$'000**	2016 HK$'000
Customer A[1]	**14,051**	10,051

[1] Revenue from the provision of medical solutions

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue from external customers based on the location of the Group's operations is from Hong Kong.

As the Group's operation and markets are located in Hong Kong, the non-current assets are mainly situated in Hong Kong, except for certain non-current assets situated in the PRC for the preparation of the Group's future operations in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

7. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Other service income (note)	**130**	1,660
Dividend income	**–**	139
Imputed interest income	**–**	312
Bank interest income	**164**	1
Interest income on loan receivables	**531**	–
Credit card rebate	**154**	148
Others	**2**	2
	981	2,262

Note: Other service income mainly comprised of marketing income from laboratory and other healthcare service providers for the provision of marketing services by the Group as well as other service income for the provision of administrative and other miscellaneous services by the Group to such laboratory and other healthcare service providers.

8. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Loss on fair value change of held-for-trading investments	**(26)**	(1,170)
Loss on written off of property, plant and equipment	**–**	(131)
Gain on disposal of property, plant and equipment	**140**	–
	114	(1,301)

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on:		
Bank borrowings	**–**	299
Mortgage loan	**–**	234
Finance lease	**–**	1
	–	534

10. (LOSS) PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration (note 12)	**1,197**	–
Salaries and allowance for staff excluding directors	**22,726**	18,911
Retirement benefit schemes contributions for staffs excluding directors	**1,141**	585
Total staff costs (note ii)	**25,064**	19,496
Medical and dental professional services expenses (note i)	**50,125**	44,803
Cost of inventories recognised as an expense	**4,036**	2,900
Minimum lease payments in respect of rental premises	**6,787**	4,395
Auditor's remuneration		
Overprovision in prior year	**(200)**	–
Current year	**750**	950

Notes:

(i) Medical and dental professional services expenses mainly include laboratory charges, fee paid to external doctors employed by clinics not operated by the Group and charges by external auxiliary services providers who provide services to the Group's contract customers.

(ii) Staff costs mainly include payments to the employees of the Group including doctors, dentists and other staffs.

11. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax	**926**	2,230
Underprovision (overprovision) in prior year	**11**	(11)
	937	2,219
Deferred tax (note 23)	**(72)**	95
	865	2,314

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

11. INCOME TAX EXPENSE *(Continued)*

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK$20,000 for both years.

The income tax expense for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 **HK$'000**	2016 HK$'000
(Loss) profit before taxation	**(3,638)**	58
Tax at Hong Kong Profits Tax rate of 16.5%	**(600)**	10
Tax effect of expenses not deductible for tax purposes	**1,379**	2,225
Tax effect of income not taxable for tax purposes	**(27)**	(85)
Tax effect of tax loss not recognised	**142**	–
Underprovision (overprovision) in prior year	**11**	(11)
Tax concessions	**(40)**	(80)
Tax effect of disposal of a leasehold property	**–**	255
Income tax expense for the year	**865**	2,314

Details of deferred taxation are set out in note 23.

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

Mr. Chan and Ms. Jiang Jie, who is the spouse of Mr. Chan, were appointed as the executive directors of the Company on 19 May 2016. Mr. Chan was the chief executive of the Company and his emoluments disclosed below include those for service rendered by him as the chief executive.

Directors and Chief Executive

2017

	Executive directors		**Independent non-executive directors**			
	Mr. Chan **HK$'000**	**Ms. Jiang Jie** **HK$'000**	**Dr. Lieu Geoffrey Sek Yiu** **HK$'000**	**Mr. Leung Po Hon** **HK$'000**	**Mr. Wong Wai Leung** **HK$'000**	**Total** **HK$'000**
Fees	**–**	**–**	**150**	**150**	**150**	**450**
Other emoluments						
Salaries and allowances	**150**	**150**	**–**	**–**	**–**	**300**
Other benefits and allowance	**431**	**–**	**–**	**–**	**–**	**431**
Retirement benefits scheme contributions	**8**	**8**	**–**	**–**	**–**	**16**
Total emoluments	**589**	**158**	**150**	**150**	**150**	**1,197**

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES *(Continued)*

Directors and Chief Executive *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the year ended 31 March 2016, no emoluments were paid by the Group entities to the executive directors of the Company as fees, salaries and allowances, performance related incentive and retirement benefit schemes contributions.

Employees

The five highest paid individuals of the Group do not include any directors of the Company for both years. The emoluments of the five highest paid individuals for both years are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and allowances	**4,125**	4,187
Contributions to retirement benefit scheme	**90**	83
	4,215	4,270

The number of these highest paid individuals, whose emolument fell within the following bands is as follows:

	2017 **HK$'000**	2016 HK$'000
Nil to HK$1,000,000	**5**	4
HK$1,000,001 to HK$1,500,000	**–**	1
	5	5

There was no arrangement under which the director or the chief executive waived or agreed to waive any remuneration and no payment of inducement fees and compensation for loss of office as a director during the year.

13. DIVIDENDS

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

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 March 2017.

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.

14. LOSS PER SHARE

	2017 **HK$'000**	2016 HK$'000
Loss for the purpose of calculating basic loss per share for the year	**(4,261)**	(2,256)

	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**996,548**	780,000

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property HK$'000	Leasehold improvements HK$'000	Professional equipments HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST/VALUATION						
At 1 April 2015	81,600	7,566	7,337	4,587	3,642	104,732
Additions	–	238	212	134	–	584
Surplus on valuation	1,041	–	–	–	–	1,041
Eliminated on written off	–	(62)	–	(1,113)	–	(1,175)
Eliminated on disposals	(82,641)	(3,314)	–	–	–	(85,955)
At 31 March 2016	–	4,428	7,549	3,608	3,642	19,227
Additions	–	1,762	1,426	314	691	4,193
Eliminated on disposals	–	–	–	–	(619)	(619)
At 31 March 2017	–	6,190	8,975	3,922	3,714	22,801
DEPRECIATION						
At 1 April 2015	–	5,432	6,940	3,863	2,982	19,217
Provided for the year	611	681	289	313	330	2,224
Eliminated on written off	–	(61)	–	(983)	–	(1,044)
Eliminated on disposals	–	(2,455)	–	–	–	(2,455)
Eliminated on revaluation	(611)	–	–	–	–	(611)
At 31 March 2016	–	3,597	7,229	3,193	3,312	17,331
Provided for the year	–	542	244	212	456	1,454
Eliminated on disposals	–	–	–	–	(619)	(619)
At 31 March 2017	–	4,139	7,473	3,405	3,149	18,166
CARRYING VALUES						
At 31 March 2017	–	2,051	1,502	517	565	4,635
At 31 March 2016	–	831	320	415	330	1,896

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, over their estimated useful lives, using the straight-line method at the following rates per annum:

Leasehold property	2%
Leasehold improvements	20% or over the term of the lease, whichever is shorter
Professional equipments	20%
Furniture and fixtures	20%
Motor vehicles	20%

The Group's leasehold property was situated in Hong Kong.

For the year ended 31 March 2016, the net book value of motor vehicles includes an amount of HK$330,000 in respect of asset held under finance lease. No such amount was noted for the year ended 31 March 2017.

On 12 August 2015, the Group entered into a sale and purchase agreement with Daily Wise International Limited (formerly known as Medinet Dental Services Limited) ("Daily Wise"), a related company which Mr. Chan is the director and also the controlling shareholder, to dispose of the leasehold property and the corresponding leasehold improvements, amounting to HK$82,641,000 and HK$859,000 respectively, at a consideration of HK$83,500,000. The disposal was completed on 15 October 2015 and no material financial impact was resulted in the Group's profit or loss upon the completion of the disposal.

16. LOAN RECEIVABLES

During the year, 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 such receivables will mature after one year from the reporting period.

17. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Pharmaceutical products	**465**	504

18. HELD-FOR-TRADING INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
Listed equity securities in Hong Kong	–	3,413

The fair values of the held-for-trading investments are determined based on quoted bid prices available on the Stock Exchange.

19. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	2017 HK$'000	2016 HK$'000
Accounts receivables	**7,791**	9,598
Other receivables		
— Other receivables	**4,990**	4,199
— Prepayments	**947**	3,465
— Rental and utility deposits	**2,311**	1,523
Total accounts and other receivables	**16,039**	18,785
Less: Receivables within twelve months shown under current assets	**(11,432)**	(18,133)
Rental deposits and other receivables shown under non-current assets	**4,607**	652
Presented in the consolidated statement of financial position:		
— Rental deposits	**2,295**	652
— Other receivables	**2,312**	–
	4,607	652

The customers of the Group would usually settle payments by cash, credit cards and Easy Pay System ("EPS"). For credit card and EPS payments, the banks will normally settle the amounts a few days after the trade date. Payments by customers using medical cards will normally be settled by the medical card issuing companies or banks within 60 to 90 days from the invoice dates.

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

	2017 HK$'000	2016 HK$'000
Within 30 days	**3,759**	4,092
31 to 60 days	**3,024**	3,615
61 to 90 days	**892**	1,046
91 to 180 days	**116**	845
	7,791	9,598

The management of the Group closely monitors the credit quality of accounts receivables and considers the debts that are neither past due nor impaired to be of good credit quality. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no history of default.

At 31 March 2017, included in the Group's accounts receivables balance are debtors with aggregate carrying amounts of HK$116,000 (2016: HK$845,000) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances.

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

Age of receivables that are past due but not impaired

	2017 HK$'000	2016 HK$'000
Overdue by:		
1 to 30 days	**116**	845

20. AMOUNTS DUE FROM A DIRECTOR, RELATED PARTIES AND A NON-CONTROLLING INTEREST

Amounts due from a director, related parties and a non-controlling interest which are non-trade nature are as follows:

	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000	As at 1 April 2015 HK$'000	**Maximum balance outstanding during the year 2017 HK$'000**	Maximum balance outstanding during the year 2016 HK$'000
Amounts due from related parties — current, unsecured and interest-free					
Unicare Limited[2]	**–**	–	2,924	**–**	2,924
Medinet International[1]	**–**	–	51	**–**	55
Daily Wise[1]	**–**	–	18	**–**	38
MediNet Holdings[1]	**–**	352	13,515	**352**	13,735
Times Insurance Consultants Limited[2]	**–**	–	2,886	**–**	6,613
	–	352	19,394		
Amount due from a director					
Mr. Chan	**142**	660	–	**787**	660
Amount due from a non-controlling interest					
Mr. Sze Wa Fung	**5**	–	–	**5**	–

1 Mr. Chan is the director and also the controlling shareholder of these companies.

2 Mr. Chan is the director and also the controlling shareholder of the entities upto 18 November 2015 and these companies had been disposed of to certain independent third parties.

The amounts due from a director, related parties and a non-controlling interest are unsecured, interest-free and repayable on demand.

21. BANK BALANCES AND CASH AND SHORT-TERM BANK DEPOSITS

Bank balances carried interest at prevailing market interest rate of 0.01% (2016: 0.01%) per annum. Short-term bank deposits carried interest at market interest rate of 0.90% (2016: N/A) per quarter.

22. ACCOUNTS AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Accounts payables	**6,676**	9,032
Other payables	**769**	925
Receipt in advance	**11,024**	9,534
Accrued expenses	**3,266**	5,059
	21,735	24,550

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

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

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**3,452**	3,479
31 to 60 days	**3,069**	2,889
61 to 90 days	**127**	2,485
91 to 180 days	**28**	179
	6,676	9,032

23. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon:

	Accelerated tax depreciation HK$'000	Revaluation of a property HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2015	177	(8,178)	–	(8,001)
Charge to profit or loss	(95)	–	–	(95)
Reversal of previously recognised deferred tax of a leasehold property upon disposal	–	8,178	–	8,178
At 31 March 2016	82	–	–	82
Credit to profit or loss	(134)	–	206	72
At 31 March 2017	(52)	–	206	154

The following is the analysis of the deferred tax balances in the consolidated statement of financial position for financial reporting purposes:

	2017 HK$'000	2016 HK$'000
Deferred tax assets	**180**	83
Deferred tax liabilities	**(26)**	(1)
	154	82

At the end of the reporting period, the Group has unused tax losses of HK$2,109,000 (2016: nil) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,248,000 (2016: nil) of such losses. No deferred tax asset has been recognised for the remaining HK$861,000 (2016: nil) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

24. SHARE CAPITAL

The share capital of the Group at 1 April 2015 represented the then issued share capital of the Hong Kong Subsidiaries.

The share capital of the Group at 31 March 2017 and 31 March 2016 represented the issued and fully paid share capital of the Company and details of movements of authorised and issued capital of the Company upto 31 March 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 a)	39,000,000	390,000
Increase during the year (note d)	4,961,000,000	49,610,000
At 31 March 2017	5,000,000,000	50,000,000
Issued and fully paid:		
At incorporation (note b)	1	0.01
Allotment of shares (note c)	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	1,040,000,000	10,400,000

Notes:

(a) The Company was incorporated on 20 August 2015 with an authorised share capital of HK$390,000 divided into 39,000,000 ordinary shares of HK$0.01 each.

(b) On 20 August 2015, 1 share of HK$0.01 each was issued to the shareholder at par to provide the initial capital to the Company.

(c) On 11 November 2015, the Company issued 74 shares and 25 shares to Medinet International and NSD Capital respectively for the Reorganisation.

(d) 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.

25. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Minimum lease payments under operating leases:		
Within one year	**8,350**	3,400
In the second to fifth years inclusive	**16,173**	3,004
	24,523	6,404

Operating lease payments represent rentals payable by the Group for its office and premises used for provision of medical and dental services. These leases are negotiated for lease terms ranging from one to five years (2016: one to three years) with fixed monthly rentals. None of the lease include any contingent rentals.

26. RELATED PARTY DISCLOSURES

(i) In addition to the transactions, balances and commitments disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transaction:

Name of related company	Relationship	Nature of transaction	2017 HK$'000	2016 HK$'000
Synergy Health Care	Related company	Other service income	–	2

(ii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2017 HK$'000	2016 HK$'000
Short-term benefits	**4,463**	3,107
Post-employments benefits	**105**	81
	4,568	3,188

Further details of the directors' emoluments are included in note 12.

27. RETIREMENT BENEFITS PLAN

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

According to the relevant laws and regulation in the PRC, the Group is required to contribute a certain percentage of the salaries of their employees located in the PRC to the state-managed retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total expenses of HK$1,157,000 (2016: HK$585,000) recognised in profit or loss represents contributions paid or payable to the above schemes by the Group for the year ended 31 March 2017.

28. MAJOR NON-CASH TRANSACTIONS

No material non-cash transactions was noted during the year ended 31 March 2017. For the year ended 31 March 2016, the major non-cash transactions were as follows:

(i) On 12 August 2015, the Group entered into a sale and purchase agreement with Daily Wise to dispose of the leasehold property and the corresponding leasehold improvements at a consideration of HK$83,500,000 and the disposal was completed on 15 October 2015. Upon the disposal, Mr. Chan settled the mortgage loan and certain bank loans of the Group amounting to HK$18,576,000 and HK$16,260,000 respectively on behalf of the Group. Thus, the net amount receivable by the Group from the disposal of the leasehold property and the corresponding leasehold improvements is HK$48,664,000.

(ii) 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.

On 27 November 2015, by entering into various arrangement among the Hong Kong Subsidiaries and Mr. Chan, the distribution of interim dividend was paid through the receivable by the Group of HK$48,664,000 as mentioned in note 28(i) above and therefore the net payable to Mr. Chan by the Group was HK$2,336,000.

On the same date, through various arrangement, the net outstanding balances of HK$22,491,000 owed by the related parties, which Mr. Chan was the controlling shareholder, to the Group were fully settled by (a) setting off the HK$2,336,000 payable by the Group mentioned above; and (b) the cash payment of HK$20,155,000.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which include equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost and the risks associated with each class of the capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**90,930**	36,863
Fair value through profit or loss		
— held-for-trading investments	**–**	3,413
Financial liabilities		
Amortised cost	**7,445**	9,957

Financial risk management objectives and policies

The Group's major financial instruments include loan receivables, held-for-trading investments, accounts and other receivables, amounts due from a director, related parties and a non-controlling interest, bank balances and cash, short-term bank deposits and accounts and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

30. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate short-term bank deposits (see note 21). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is low.

The Group is exposed to cash flow interest rate risk relates primarily to variable-rate bank balances (see note 21) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

No sensitivity analysis on interest rate risk on bank balances is presented as the directors of the Company consider the sensitivity on interest rate risk on bank balances is insignificant.

Foreign currency risk

The Group has no significant foreign currency risk as the activities of the group entities are denominated in HK$ and Renminbi which are also the functional currency of the relevant group entities.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position of the Group.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each material individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group does not have concentration of credit risk in relation to its accounts receivables. The Group keeps exploring new customers to diversify and strengthen its customer base to reduce the concentration of credit risk.

The directors of the Company consider that the credit risk on amounts due from a director, related parties, and a non-controlling interest is limited because they regularly monitor the financial position of these related parties through involvement in their management and operations. In addition, advances are only made to related parties having good financial standings.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and amounts due from related companies, a director, and a non-controlling interest the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

30. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average interest rate	**On demand or less than 6 months**	**Total undiscounted cash flows**	**Carrying amounts**
	%	**HK$'000**	**HK$'000**	**HK$'000**
At 31 March 2017				
Accounts and other payables	–	**7,445**	**7,445**	**7,445**

	Weighted average interest rate	On demand or less than 6 months	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000
At 31 March 2016				
Accounts and other payables	–	9,957	9,957	9,957

30. FINANCIAL INSTRUMENTS *(Continued)*

Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

Fair value measurements recognised in the consolidated statement of financial position

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 March		Fair value hierarchy	Valuation technique
	2017	2016		
Held-for-trading investments (note 18)	**Listed equity securities — Insurance industry — nil**	Listed equity securities — Insurance industry — HK$574,000	Level 1	Quoted bid prices in an active market.
	— Pharmaceutical industry — nil	— Pharmaceutical industry — HK$280,000		
	— Banking industry — nil	— Banking industry — HK$1,089,000		
	— Telecommunication industry — nil	— Telecommunication industry — HK$1,470,000		

There were no transfers between the three levels during both years.

31. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ operations	Issued and fully paid share capital	Attributable equity interest held by of the Company 2017	2016	Principal activities
Medinet (BVI)	BVI 12 August 2016	US$1,000 ordinary shares	**100%**	100%	Investment holding
Well Being	Hong Kong 22 December 1994	HK$10,000,000 ordinary shares	**100%**	100%	Provision of dental solutions and dental services
Medinet Services	Hong Kong 29 March 1994	HK$10,000,000 ordinary shares	**100%**	100%	Provision of medical solutions services
Medinet Health Centre	Hong Kong 9 December 1998	HK$500,000 ordinary shares	**100%**	100%	Provision of medical consultation service
Men's Health Solutions	Hong Kong 20 October 2003	HK$10,000 ordinary shares	**100%**	100%	Provision of medical consultation service
Medinet Privilege Limited	Hong Kong 22 August 2016	HK$10,000 ordinary shares	**100%**	–	Provision of online service to sell dental and medical consultation services
POM Healthcare Management Limited ("POM")	Hong Kong 25 April 2016	HK$10,000 ordinary shares	**51% (note)**	–	Provision of medical consultation service
Medinet Medical Services (Shenzhen) Limited 醫匯醫療服務(深圳)有限公司	PRC 23 February 2017	HK$1,000,000 registered capital	**100%**	–	Provision of medical consultation service

Note: On 22 May 2017, all of the 51% equity interest in POM was disposed of to the non-controlling interest.

Except for Medinet (BVI), all of the above subsidiaries are indirectly held by the Company.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current asset		
Investments in subsidiaries	**73,212**	73,212
Current assets		
Dividend receivables	**–**	6,600
Amount due from a director	**–+**	–+
Amount due from subsidiaries	**57,287**	–
Other receivable and prepayment	**160**	3,264
Bank balance	**190**	–
	57,637	9,864
Current liabilities		
Accruals	**60**	2,850
Amounts due to subsidiaries	**265**	4,931
	325	7,781
Net current assets	**57,312**	2,083
Net assets	**130,524**	75,295
Capital and reserves		
Share capital	**10,400**	–+
Reserves	**120,124**	75,295
Total equity	**130,524**	75,295

+ Less than HK$1,000.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in the Company's reserves:

	Share premium HK$'000 (note i)	**Capital reserve** HK$'000 (note ii)	**Retained profits (accumulated loss)** HK$'000	**Total** HK$'000
At date of incorporation	–	–	–	–
Profit and total comprehensive income for the period	–	–	1,287	1,287
Deemed contribution	73,212	796	–	74,008
At 31 March 2016	73,212	796	1,287	75,295
Loss and total comprehensive expense for the year	–	–	(5,776)	(5,776)
Issue of new shares	51,853	–	–	51,853
Dividend	–	–	(1,248)	(1,248)
At 31 March 2017	125,065	796	(5,737)	120,124

Notes:

(i) As at 31 March 2016, share premium of the Company represents the difference between the nominal value of the shares allotted and issued by the Company for acquisition of Medinet (BVI) and the carrying amount of Medinet (BVI) on 11 November 2015 as disclosed in note 2(h).

(ii) During the year ended 31 March 2016, a subsidiary of the Company had waived an advance amounting to approximately of HK$796,000 to the Company, which was recognised as deemed contribution as shown in the statement of changes in equity.

FINANCIAL SUMMARY

For the four years ended 31 March 2014, 2015, 2016 and 2017

RESULTS

	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	77,520	86,933	92,576	**99,206**
Profit/(loss) before taxation	6,800	12,736	58	**(3,638)**
Income tax expense	(1,258)	(2,187)	(2,314)	**(865)**
Profit (loss) for the year	5,542	10,549	(2,256)	**(4,503)**

ASSETS AND LIABILITIES

	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Total assets	118,945	133,074	47,747	**100,862**
Total liabilities	(71,170)	(67,059)	(25,153)	**(21,761)**
Net assets	47,775	66,015	22,594	**79,101**

MediNet Group Limited

醫匯集團有限公司