THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in MediNet Group Limited, you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

MediNet Group Limited
醫匯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8161)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE IN AND SHAREHOLDER'S LOANS DUE BY MASTER CLEVER LIMITED

A letter from the Board is set out on pages 6 to 24 of this circular.

31 January 2019

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 5 July 2018 and entered into between the Purchaser, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Share and the Sale Loan
"Affiliates of the Target Company"	collectively, (i) the shareholder(s) of the Target Company and its beneficial owner(s) from time to time, namely (a) the Vendor, Progress Ever Limited and the Guarantor in respect of the period before Completion; and (b) the Purchaser, the Company and Mr. Chan Chi Wai, Nelson in respect of the period after Completion; and (ii) the directors of the Target Company (other than Dr. Chiu) from time to time
"Board"	the board of Directors
"Business"	the business of operation of dental clinics for the provision of dental services including orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services, in respect of the period before completion of the Business Transfer, being carried on by I-Teeth with Dr. Chiu as the principal dental practitioner under the trade names of (i) Dr. Kenny CP Chiu & Dental Surgeons; and (ii) Invisible Orthodontic & Laser Implant Centre, and in respect of the period after completion of the Business Transfer, being carried on by the Target Company in succession to I-Teeth, whether or not under the same trade names
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Business Transfer"	the sale and purchase of the Business pursuant to the terms and conditions of the Business Transfer Agreement

"Business Transfer Agreement"	the business transfer agreement dated 2 March 2017 and entered into between I-Teeth, Dr. Chiu, as the vendors, and the Target Company, as the purchaser, in relation to the sale and purchase of the Business together with certain assets used by I-Teeth in connection with the Business
"Company"	MediNet Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
"Comparable Companies"	the companies that are comparable to the Target Company in terms of business nature and financial performance selected by the Valuer for conducting the Valuation
"Completion"	the completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Acquisition Agreement
"Completion Date"	the date falling on the next Business Day after the fulfillment (or waiver) of the conditions under the Acquisition Agreement or such other date as the Purchaser and the Vendor may agree
"Consideration"	the consideration for the Sale Share and the Sale Loan under the Acquisition Agreement
"Consultancy Agreement"	the consultancy agreement dated 31 March 2017 and entered into between I-Teeth, Dr. Chiu and the Target Company pursuant to which the Target Company has agreed to engage and I-Teeth has agreed to provide the Services for a period of six years commencing on 31 March 2017
"Dental Clinics"	the dental clinics which are operated by Well Being Dental from time to time and at which the Group's dentists and dental hygienists offer dental services
"Directors"	directors of the Company
"Dr. Chiu"	Dr. Chiu Chong Po Kenny, an Independent Third Party
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"GEM"	GEM operated by the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Guaranteed Period"	collectively, the financial year commencing from 1 January 2018 to 31 December 2018, the financial year commencing from 1 January 2019 to 31 December 2019 and the financial year commencing from 1 January 2020 to 31 December 2020
"Guaranteed Net Profit"	the Adjusted Net Profit of the Target Company for each of the three financial years ending 31 December 2020 shall not be less than HK$7 million
"Guarantor"	Mr. Chau Kai Man, being the sole director and ultimate beneficial owner of the Vendor and an Independent Third Party
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
"I-Teeth"	I-Teeth Limited, a company incorporated in Hong Kong with limited liability, which is beneficially wholly-owned by Dr. Chiu, and is an Independent Third Party
"Latest Practicable Date"	28 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"MediNet Centre"	the medical centres which are operated by the Group from time to time and at which the Group's doctors offer medical services
"Medinet International"	Medinet International Limited, a company incorporated in the British Virgin Islands with limited liability, and is a controlling shareholder (as defined in the GEM Listing Rules) interested in 56.25% of the entire issued share capital of the Company

"MediNet Network"	the network of affiliated clinics, MediNet Centre, Dental Clinics and affiliated auxiliary services providers
"PRC"	the People's Republic of China
"Progress Ever Limited"	a company incorporated in the British Virgin Islands and the immediate holding company of the Vendor
"Purchaser"	Medinet (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability
"Sale Loan"	all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which amounted to HK$42,000,000
"Sale Share"	one ordinary share of the Target Company, representing the entire issued shares in the Target Company
"Services"	the services to be provided by I-Teeth with Dr. Chiu as the principal dental practitioner, to the Target Company pursuant to the Consultancy Agreement, including (a) to be responsible for the management and the daily operation of the dental clinics in respect of the Business; and (b) shall, through Dr. Chiu, provide dental consultation, care and services in relation to orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services to patients at such dental clinics
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Master Clever Limited, a company incorporated in Hong Kong with limited liability

"Valuation"	the valuation of 100% of the equity interests in the Target Company as at 30 September 2018 under the market approach prepared by the Valuer
"Valuation Report"	the valuation report dated 31 January 2019 on the fair value of 100% of the equity interests in Target Company as at 30 September 2018 prepared by the Valuer
"Valuer"	Asset Appraisal Limited, an independent professional valuer
"Vendor"	Tradewide Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Well Being Dental"	Well Being Dental Services Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

MediNet Group Limited
醫匯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8161)

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

Registered office:
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

31 January 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE IN AND SHAREHOLDER'S LOANS DUE BY MASTER CLEVER LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 5 July 2018. On 5 July 2018 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor and the Guarantor pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan at a total consideration of HK$32,000,000.

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

For the reasons set out in the section headed "GEM Listing Rules implications" in this circular, the extraordinary general meeting requirement to approve the Acquisition under the

Acquisition Agreement is to be dispensed with. This circular will therefore be sent to the Shareholders for their information only.

The purposes of this circular are to provide you with, among others, (i) further information regarding the Acquisition, and (ii) the accountant's report on the Target Company.

THE ACQUISITION AGREEMENT

Date: 5 July 2018 (after trading hours of the Stock Exchange)

Parties: (1) Tradewide Investments Limited, as vendor;

(2) Medinet (BVI) Limited, as purchaser; and

(3) Chau Kai Man, as guarantor

The Vendor is an investment holding company incorporated in the British Virgin Islands with limited liability.

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

The Guarantor is the sole director and ultimate beneficial owner of the Vendor. He has been the business development director of Hong Kong Education (Int'l) Investments Limited (stock code: 1082), a company listed on the Main Board of the Stock Exchange, since January 2013 and up to the present. He has over 30 years of experience in the field of sales, marketing and business development and approximately eight years of experience in accounting and company secretarial matters.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor, its ultimate beneficial owner(s) and the Guarantor are Independent Third Parties.

Assets acquired

Pursuant to the Acquisition Agreement, the Purchaser has acquired and the Vendor has sold the Sale Share, representing the entire issued shares in the Target Company, and the Sale Loan on the Completion Date.

Consideration

The consideration for the sale and purchase of the Sale Share was HK$1. The aggregate consideration for the sale and purchase of the Sale Loan was the sum of HK$31,999,999. The Consideration has been paid by the Purchaser to the Vendor or its nominee in cash at Completion.

The Consideration was determined after arms' length negotiations between the Purchaser and the Vendor taking into account (i) the preliminary valuation of 100% of the equity interests in the Target Company prepared by Asset Appraisal Limited, an independent valuer, of approximately HK$32 million under the market approach; and (ii) the Guaranteed Net Profit provided by I-Teeth and Dr. Chiu in favour of the Target Company under the Business Transfer Agreement.

The Directors considered that the methodology, inputs and assumptions adopted in the Valuation Report are fair and reasonable. The market approach was considered to be the most appropriate valuation approach for the Valuation, as it is the most direct valuation approach by which fair value is concluded based on market determined market prices paid by market participants for similar assets on the marketplace. The market approach determines the fair value of the assets by reference to the transaction prices, or "valuation multiples" implicit in the transaction prices, of identical or similar assets on the market. Valuation multiples are ratios that relate business value to some measure of the company's financial measures, such as historical or prospective turnover or profit at a given level. Valuation multiples are applied to the corresponding financial parameter of the subject asset in order to value it. The Directors noted that the guideline company method under the market approach had been adopted as the primary valuation method and considered such valuation approach to be a common valuation methodology for appraising the equity interests of an enterprise.

The Directors have reviewed the Comparable Companies as set out in the Appendix V to this circular and have discussed with the Valuer on the criteria for selecting the Comparable Companies. The Comparable Companies were selected based on the following criteria: (i) principal business activities: the Comparable Companies are primarily engaged in medical service businesses or provision of medical supporting services; (ii) location and scale of operations: the markets in which the Comparable Companies are being operated, which includes Hong Kong, Germany, Denmark, New Zealand and Kunming, are all developed economies commanding high level of awareness and affordability toward healthcare services. None of the Comparable Companies are in an influential or dominated position in their respective specialty fields and markets; (iii) source of revenues: the Comparable Companies are all deriving their revenues from their core medical business operations; (iv) timeliness: the comparable transactions had taken place within a period of two years from the valuation date; (v) availability of the valuation multiple: the comparable transactions are selected when the relevant parameters including transaction price and net operating profit of the Comparable Companies have been publicly disclosed and the Comparable Companies were not loss making around the date of transaction; (vi) exhaustive list of comparable transactions: the Valuer has attempted to identify as many Comparable Companies as possible through reliable sources of public information. The list of selected comparable transactions is an exhaustive list based on the aforesaid criteria.

Based on the Directors' assessment, the selection criteria for the Comparable Companies are comprehensive and clear as it takes into account a wide range of factors such as principal business activities, location and scale of operations and source of revenues to ensure that the Comparable Companies are similar in characteristics to the Target Company. Given that the selected comparable transactions were conducted within a reasonable period prior to the valuation date, the relevant financial information was based on publicly available information that could be verified and the inclusion of six Comparable Companies to reduce the degree of valuation variance and inaccuracy, the Directors considered that the selection criteria adopted by the Valuer to be fair and reasonable.

In view of the selection criteria, the characteristics of the Comparable Companies, and the number of the Comparable Companies selected, the Directors considered the Comparable Companies to be fair and representative for the purpose of the Valuation. The Directors have also reviewed the assumptions adopted in the Valuation Report and considered them to be fair and reasonable.

Pursuant to the Business Transfer Agreement, each of I-Teeth and Dr. Chiu jointly and severally guarantees to the Target Company that the Adjusted Net Profit (as defined below) of the Target Company for each of the three financial years ending 31 December 2020 shall not be less than HK$7 million. In the event that the Adjusted Net Profit for a financial year is less than the Guaranteed Net Profit, I-Teeth and Dr. Chiu shall pay the shortfall to the Target Company. Upon Completion, the Target Company became an indirect wholly-owned subsidiary of the Company and the shortfall in the Guaranteed Net Profit, if any, to be paid by I-Teeth and Dr. Chiu to the Target Company would be consolidated into the financial statements of the Group. The Directors considered that the Guaranteed Net Profit of HK$7 million to be fair and reasonable and in the interest of the Company and its shareholders, as it provided a minimum level of profitability for the Target Company which would not be less than the Historical Adjusted Net Profit of the Business for the financial year ended 31 March 2017 of approximately HK$7 million. The Directors also considered that the Guaranteed Net Profit reduces the potential financial risk to be borne by the Group arising from the uncertainty in the financial performance of the Target Company during the Guaranteed Period.

The Adjusted Net Profit of the Target Company for the twelve months ended 30 September 2018 was approximately HK$6.5 million, which is lower than the Guaranteed Net Profit of HK$7 million. Notwithstanding the above, the Directors considered the Consideration to be fair and reasonable for the following reasons: (i) the revenue of the Target Company increased from approximately HK$19.8 million for the six-month period ended 30 September 2017 to approximately HK$25.6 million for the six-month period ended 30 September 2018, representing an increase of approximately 29.29%. The prospect of the Business is promising and is expected to become a major growth driver for the Group's business; and (ii) Dr. Chiu is one of the leading dental practitioners in Hong Kong specialising in the use of clear aligners for orthodontic treatment and the market for such specialised dental services is growing in Hong Kong due to increase in awareness of esthetics and the increase in orthodontic treatment demand from adults.

The Guarantor became the ultimate beneficial owner of the Target Company on 8 July 2016. On 2 March 2017, the Target Company entered into the Business Transfer Agreement with I-Teeth and Dr. Chiu pursuant to which the Target Company agreed to purchase and I-Teeth and Dr. Chiu agreed to sell the Business at a total consideration of HK$42 million. Hence, the consideration of HK$32 million paid by the Group for the Acquisition represented a discount of approximately 23.81% to the acquisition cost of the Business to the Guarantor of HK$42 million.

Taking into account of (i) the valuation of 100% of the equity interests in the Target Company as at 30 September 2018 prepared by the Valuer of approximately HK$34 million under the market approach, which is a slight premium over the amount of the Consideration of HK$32 million; (ii) the Guaranteed Net Profit provided by I-Teeth and Dr. Chiu in favour of the Target Company under the Business Transfer Agreement, which provides a guaranteed minimum financial return to the Group; and (iii) the Consideration represented a discount of approximately 23.81% to the acquisition cost of the Business to the Guarantor, the Directors considered the Consideration to be fair and reasonable.

Set out below is the unaudited income statement of the Target Company for the twelve months ended 30 September 2018 according to the management accounts of the Target Company:

	HK$'000
Revenue	50,033
Other income	–
Dental professional service expenses	(21,872)
Staff costs	(7,690)
Depreciation of property, plant and equipment	(796)
Cost of dental supplies	(11,640)
Rental expenses	(2,072)
Other expenses	(1,857)
Profit/(loss) before taxation	4,106
Income Tax expenses	(677)
Profit/(loss) and other comprehensive (expense) income for the period/year	3,429

The unaudited income statement of the Target Company for the twelve months ended 30 September 2018 (i) was prepared by the accounting staff of the Target Company for the period from 1 September 2017 up to the Completion Date and prepared by the Group thereafter. Such income statement was subsequently reviewed by the management of the Group to ensure the reliability and integrity of the financial information; and (ii) was prepared in accordance with the Company's accounting policy.

Conditions

Completion was conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

(a) the Purchaser being reasonably satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Company;

(b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(c) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(d) the warranties given by the Vendor under the Acquisition Agreement remaining true and accurate in all respects;

(e) the warranties given by the Purchaser under the Acquisition Agreement remaining true and accurate; and

(f) the Company having obtained the written shareholder's approval from the Shareholder(s) in accordance with the requirements under the GEM Listing Rules approving the Acquisition Agreement and the transactions contemplated thereunder.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions set out in (a) and (d) above. The Vendor may at its absolute discretion at any time waive in writing the condition set out in (e) above. Other conditions are incapable of being waived by any of the parties to the Acquisition Agreement. If any of the conditions above has not been satisfied (or as the case may be, waived) at or before 12:00 noon on 31 July 2018, or such later date as the Purchaser and the Vendor may agree, the Acquisition Agreement shall cease and determine and thereafter neither party thereto shall have any obligations and liabilities under the Acquisition Agreement save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, all of the above conditions have been fulfilled.

Completion

Completion has taken place on 12 July 2018, being the date falling on the next Business Day after the fulfillment (or waiver) of all the conditions under the Acquisition Agreement.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of operation of dental clinics for the provision of dental services including orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services.

The Business Transfer Agreement

On 2 March 2017, the Target Company entered into the Business Transfer Agreement with I-Teeth and Dr. Chiu pursuant to which the Target Company agreed to purchase and I-Teeth and Dr. Chiu agreed to sell the business of operation of dental clinics for the provision of dental services including orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services carried on by I-Teeth with Dr. Chiu as the principal dental practitioner under the trade names of (i) Dr. Kenny CP Chiu & Dental Surgeons; and (ii) Invisible Orthodontic & Laser Implant Centre, together with certain assets used by I-Teeth in connection with the Business at a total consideration of HK$42,000,000.

The acquisition cost of the Business carried on by I-Teeth with Dr. Chiu as the principal dental practitioner was HK$42,000,000. The acquisition was recognized as "intangible assets" under the immediate holding company of the Target Company's financial statements.

Consideration

The consideration for the sale and purchase of the Business under the Business Transfer Agreement was HK$42,000,000 (as to HK$800,000 to I-Teeth and HK$41,200,000 to Dr. Chiu), which was settled by the Target Company in the following manner:

(a) as to HK$4,200,000 as deposit was paid as part payment of the consideration by the Target Company to the vendors' solicitors in cash as stakeholder upon signing of the Business Transfer Agreement, which was released to Dr. Chiu on completion of the Business Transfer Agreement; and

(b) the balance of the consideration of HK$37,800,000 was paid by the Target Company to I-Teeth and Dr. Chiu (as to HK$800,000 to I-Teeth and HK$37,000,000 to Dr. Chiu) in cash on completion of the Business Transfer Agreement.

Conditions precedent

Completion of the Business Transfer Agreement was conditional upon the fulfilment or waiver (if applicable) of the following conditions:

(a) all requisite consents from any landlord for the assignment, transfer or re-grant of certain premises leased by I-Teeth in connection with the Business to or in favour of the Target Company having been obtained provided that the terms of the assignment or transfer or re-grant of the tenancies by the landlord shall not impose any material adverse obligation on the Target Company and the monthly rental under such assignment or transfer or re-grant shall not increase by an amount in excess of 10% of the existing rental;

(b) I-Teeth having settled all the accrued benefits payable by I-Teeth to all employees engaged by I-Teeth in connection with the Business;

(c) there is no material adverse change in the operations, financial conditions or prospects of the Business from the date of the Business Transfer Agreement; and

(d) the warranties remaining true, accurate and not misleading from the date of the Business Transfer Agreement up to completion and that no events have occurred that would result in any breach of any of the warranties or other provisions of the Business Transfer Agreement by I-Teeth or Dr. Chiu.

The Target Company was entitled to waive any of the conditions above. In the event that the above conditions were not fulfilled or waived (if applicable) on or before 29 March 2017, I-Teeth and Dr. Chiu should return the deposit of HK$4,200,000 to the Target Company within 5 business days and the Business Transfer Agreement should cease and determine and no party thereto should have any claim against the other save for claim (if any) in respect of any antecedent breach thereof.

Completion

Upon fulfillment or waiver (where applicable) of the conditions precedent above, completion of the Business Transfer Agreement took place on 31 March 2017.

Profit guarantee under the Business Transfer Agreement

Pursuant to the Business Transfer Agreement, each of I-Teeth and Dr. Chiu jointly and severally guarantees to the Target Company that the Adjusted Net Profit (as defined below) of the Target Company for each of the three financial years ending 31 December 2020 shall not be less than HK$7 million (the "**Guaranteed Net Profit**"). The Guaranteed Net Profit of HK$7 million was determined with reference to the historical adjusted net profit before tax (the "**Historical Adjusted Net Profit**") of the Business for the financial year ended 31 March 2017 of approximately HK$7 million. The Historical Adjusted Net Profit was in turn derived from the historical net profit before tax of the Business for the financial year ended 31 March 2017 of approximately HK$12 million minus the dividend paid to Dr. Chiu during the corresponding period of approximately HK$5 million. The rationale for making the above adjustments is because the dividend paid to Dr. Chiu should be regarded as part of his actual salary for providing the dental services, which would be deducted to determine the actual profitability of the Business.

Following the Business Transfer, Dr. Chiu ceased to be the owner of the Business and would no longer be entitled to any dividend as part of his actual salary for providing the dental services. However, Dr. Chiu would continue to remain as the principal dental practitioner of the Business and his wholly-owned company, I-Teeth, would receive service fees for provision of the Services under the Consultancy Agreement. Due to the said changes in the remuneration package of Dr. Chiu, it would not be feasible to adopt the same basis for calculating the Guaranteed Net Profit and the Adjusted Net Profit. Given that each of the Guaranteed Net Profit and the Adjusted Net Profit are a good measure of the actual profitability of the Business, the Directors considered that the Guaranteed Net Profit would provide a reasonable benchmark and ensure a minimum level of profitability for the Target Company which would not be less than the Historical Adjusted Net Profit of the Business for the financial year ended 31 March 2017 of approximately HK$7 million.

The Adjusted Net Profit of the Target Company for the financial year ended 31 March 2018 and the twelve months ended 30 September 2018 was approximately HK$3.7 million and HK$6.5 million respectively, which is lower than the Guaranteed Net Profit of HK$7 million. Notwithstanding the above, the Directors considered the Guaranteed Net Profit to be fair and reasonable for the following reasons: (i) the revenue of the Target Company increased from approximately HK$19.8 million for the six-month period ended 30 September 2017 to approximately HK$25.6 million for the six-month period ended 30 September 2018, representing an increase of approximately 29.29%. The prospect of the Business is promising and is expected to become a major growth driver for the Group's business; and (ii) Dr. Chiu is one of the leading dental practitioners in Hong Kong specialising in the use of clear aligners for orthodontic treatment and the market for such specialised dental services is growing in Hong Kong due to increase in awareness of esthetics and the increase in orthodontic treatment demand from adults.

The amount of the Guaranteed Net Profit represents a level of business that I-Teeth, Dr. Chiu and the Target Company then considered to be feasible and an amount I-Teeth and Dr. Chiu were willing and confident to guarantee and make good if it is not in fact achieved. In deciding the amount of the Guaranteed Net Profit, the Company is given the understanding that the following factors were taken into account: (i) Dr. Chiu is one of the leading dental practitioners in Hong Kong specialising in the use of clear aligners for orthodontic treatment. Clear aligners are orthodontic devices that are a transparent, plastic form of dental braces used to adjust teeth; (ii) the market for orthodontic treatment with clear aligners is growing in Hong Kong due to increase in awareness of esthetics and the increase in orthodontic treatment demand from adults; (iii) the expansion plans of the Business, namely the hiring of additional dentist(s) from September 2017 to provide dental services for customers; and (iv) the net profit during the Guaranteed Period is expected to be maintained at a stable level or better compared to that for the financial year ended 31 March 2017.

The adjusted net profit (the "**Adjusted Net Profit**") shall be determined as follows:

The net profit (loss) before tax of the Target Company for the financial year as shown in the audited financial statements for the Target Company prepared in accordance with the applicable Hong Kong Financial Reporting Standards by an independent qualified accounting firm appointed by the Target Company.

+ The Add-Back Items (as defined below)

– The Excluded Items (as defined below)

The Adjusted Net Profit

The Add-Back Items shall mean the aggregate of the following items incurred and recorded in the financial statements of the Target Company (to the extent the same had been taken into account in the calculation of the net profit (loss) of the Target Company) for that financial year:

(a) the costs and expenses incurred by the Target Company in the negotiation, preparation, execution and completion of the Business Transfer Agreement and/or the transactions contemplated thereunder and any financing costs for the payment of the consideration by the Target Company thereunder;

(b) any administrative, management or other costs and expenses payable to or charged by any Affiliates of the Target Company (including any fee or remuneration payable to the directors of the Target Company (other than Dr. Chiu);

(c) the part of the costs incurred for accounting staff from time to time engaged by the Target Company together with the audit fee payable to the auditors of the Target Company which is in excess of HK$200,000;

(d) any provisions, write-offs, impairments, depreciation or similar items (or the reversal thereof) arising from (i) the Business Transfer Agreement and/or the transactions contemplated thereunder and/or the Guaranteed Net Profit not being met; and (ii) assets of the Target Company in relation to the Business purchased before Completion;

(e) the amount of the Adjusted Net Profit in the immediately preceding financial year in excess of the Guaranteed Net Profit in accordance with the provisions below; and

(f) any non-recurring or exceptional expenses incurred or committed (whether or not in relation to the Business) without the prior written consent of I-Teeth or Dr. Chiu.

It is noted that in determining the Adjusted Net Profit, the administrative, management or other costs and expenses payable to or charged by any Affiliates of the Target Company would be added back. Based on the Group's existing policy, the Company will provide or third parties providers which are engaged by the Company will provide certain services including but not limited to administrative services, legal advice and financial and compliance advice to the Target Company and other subsidiaries of the Company from time to time. The total cost of providing such service fees will be allocated to the subsidiaries of the Company based on their revenue. The service fees payable by the Target Company to the Company in respect of such services should be included as an Add-Back Item because they are subject to the discretion of the Group and there is a potential risk that it may reduce the net profit before tax of the Target Company excessively.

Upon Completion, the Company has appointed (i) Mr. Chan Chi Wai, Nelson, being the chairman of the Board and an executive Director; and (ii) Dr. Wong Siu Kay, being a registered dentist and a director of Well Being Dental, as the directors of the Target Company with effect on 25 July 2018. As at the Latest Practicable Date, Dr. Chiu, Mr. Chan and Dr. Wong are the directors of the Target Company. The fee or remuneration payable to directors of the Target Company should be included as an Add-Back Item because such additional expenses are subject to the discretion of the Group and there is a potential risk that any excessive fee or remuneration to be payable to such directors will reduce the net profit before tax of the Target Company to the detriment of Dr. Chiu.

The Excluded Items shall mean (to the extent the same has been taken into account in the calculation of the net profit (loss) of the Target Company) the Shortfall (as defined below) and any interest accrued thereon payable or paid to the Target Company. Although income or gain not derived in the Target Company's ordinary and usual course of business shall not be an Excluded Item, the Directors do not expect that there would be any extraordinary income or gain during the Guaranteed Period due to the following: (i) the Business is an asset-light business and no source of extraordinary gain is expected; and (ii) the Target Company will be under the control of the Group upon Completion, and therefore it is unlikely that I-Teeth, Dr. Chiu or the Vendor will be able to intentionally cause the Target Company to record any extraordinary income or gain.

In the event that the Adjusted Net Profit for a financial year is less than the Guaranteed Net Profit, I-Teeth and Dr. Chiu shall pay the shortfall (the "**Shortfall**"), which equals to the difference between the Adjusted Net Profit of that financial year and the Guaranteed Net Profit to the Target Company in cash within 10 Business Days after the audited financial statements for the Target Company of that financial year are made available to I-Teeth and Dr. Chiu.

For the purpose of calculating the Shortfall, if the Adjusted Net Profit for a financial year exceeds the Guaranteed Net Profit, the amount of the Adjusted Net Profit in excess (the "**Excess Amount**") shall be carried forward to the subsequent financial year as if it were part of the Adjusted Net Profit for such subsequent financial year. For the avoidance of doubt, the Excess Amount shall not have any retrospective effect.

The Target Company agreed that the accounting policy for recognition of revenue for dental service income in the preparation of the financial statements during the Guaranteed Period should follow the same accounting policy and practice as that adopted by I-Teeth in the preparation of the financial statements of I-Teeth prior to completion of the Business Transfer Agreement.

Non-competition undertaking

For a period of six years and nine months following completion of the Business Transfer Agreement on 31 March 2017, each of I-Teeth and Dr. Chiu undertakes that it/he will not:

(a) directly or indirectly, for itself/himself or on behalf of or in conjunction with any third party, own, manage, operate, control, hold any interest in, engage or participate in any manner with the ownership, management, operation or control of any person or entity or business, whether in corporate, proprietorship or partnership form or otherwise, which is engaged in or otherwise competes with, the Business in Hong Kong, provided that the practice of dentistry by Dr. Chiu in the direct employment or engagement as a consultant in the business of the Target Company or at any government hospital or university shall not be deemed to be in competition with the Business; and

(b) solicit or persuade any person or corporation which is a supplier or client of the Business to cease doing business with the Target Company or the Business.

The Consultancy Agreement

As one of the terms of the Business Transfer Agreement, on 31 March 2017, the Target Company entered into the Consultancy Agreement with I-Teeth and Dr. Chiu pursuant to which the Target Company has agreed to engage and I-Teeth has agreed to provide the Services for a period of six years commencing on 31 March 2017.

During the term of the Consultancy Agreement, I-Teeth will provide the following Services to the Target Company:

(a) be responsible for the management and the daily operation of the dental clinics in respect of the Business; and

(b) shall, through Dr. Chiu, provide dental consultation, care and services in relation to orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services to patients at the said dental clinics.

Service fees

In consideration of the provision of the Services by I-Teeth, the Target Company shall pay to I-Teeth service fees equal to 45% of the Net Revenue (as defined below). The charging rate of 45% of the Net Revenue (as defined below) as service fees of I-Teeth is similar to the prevailing rate of professional fees ranging from 40% to 65% of the net revenue charged by the Group's dentists for the provision of dental services at the Group's dental clinics. Net Revenue shall be calculated according to the formula as follows:

Net Revenue = Revenue – Direct Costs

where

"**Revenue**" means all revenue generated by Dr. Chiu during the term of the Consultancy Agreement for the dental clinics of the Business including but not limited to (i) patient consultation fees; (ii) surgery fees; (iii) investigations fees including laboratory and imaging; and (iv) sale of dental braces, aligners, aligners tray seaters, teeth-cleansing tools, other miscellaneous dental-related tools and equipment ("**Dental Tools**"), drugs and medicines.

"**Direct Costs**" means the aggregate of (i) laboratory and imaging costs; (ii) drug expenses; and (iii) cost of Dental Tools for generating the Revenue.

For the avoidance of doubt, all overhead costs and expenses of the dental clinics in respect of the Business such as staff costs, rent, utilities and other overhead and administrative costs are excluded from the calculation of Direct Costs.

The basis of calculating the service fees payable by the Group to I-Teeth under the Consultancy Agreement and the professional fees paid by the Group to its dentists under the existing arrangements are to a large extent similar save for the following: bank charges and the cost of Invisalign clear aligners are included as direct costs for deriving the net revenue and professional fees charged by the Group's dentists even though they are not regarded as a Direct Cost for calculating the Net Revenue and service fees payable to I-Teeth. Assuming that bank charges and the cost of Invisalign clear aligners were included as Direct Cost, the Target Company would need to pay I-Teeth service fees of approximately 63.2% of the Net Revenue (the "**Adjusted Charging Rate**") in order for I-Teeth to maintain the same level of service fees that it would be entitled under the Consultancy Agreement. The estimate was based on the financial information of the Target Company for the six months ended 30 September 2018. As such, the Adjusted Charging Rate would still fall within the rate of professional fees ranging from 40% to 65% of the net revenue charged by the Group's dentists. In view of the above, the Directors considered that the rate of service fees charged by I-Teeth to be fair and reasonable and in the interests of the Company and its shareholders.

In the event that the Adjusted Net Profit for a financial year of the Target Company during the Guaranteed Period exceeds the Guaranteed Net Profit, the Target Company shall pay I-Teeth an extra sum of service fees that equal to 9.1% of such exceeded portion. The extra service fees were determined after arms' length negotiations between the Target Company and Dr. Chiu taking into account (i) the amount of the Guaranteed Net Profit; and (ii) the existing arrangements for the Group's dentists to be entitled to greater proportion of the profits of the business for achieving certain performance targets. The Directors considered the extra service fees to be fair and reasonable and in the interests of the Company and its shareholders as it provided an incentive for I-Teeth and Dr. Chiu to generate more profits for the Target Company during the Guaranteed Period even after accounting for the additional costs to the Target Company.

The Net Revenue and Direct Costs generated by Dr. Chiu for the year ended 31 March 2018 and six months ended 30 September 2018 are as follows:

	Year ended 31 March 2018	**Six months ended 30 September 2018**
	HK$'000	*HK$'000*
Net Revenue	31,171	18,048
Direct Costs	428	304

Reconciliation of Direct Costs to Dental Professional services expenses for the year ended 31 March 2018 and six months ended 30 September 2018

	Year ended 31 March 2017	**Year ended 31 March 2018**	**Six months ended 30 September 2018**
	HK$'000	*HK$'000*	*HK$'000*
Direct Costs	–	428	304
Dentist and Contractor Fee	–	19,017	10,876
Hygienists's Salaries	–	528	311
– Others	–	468	238
	–	20,441	11,729

With regards to the service fees that equal to 45% of the Net Revenue payable by the Target Company to I-Teeth and any extra service fees under the Consultancy Agreement, the Company will recognise such contractor fee upon payment to I-Teeth as medical and dental professional services expenses in the consolidated statement of profit or loss and other comprehensive income.

Based on the financial information of the Target Company currently available, the Company expects that I-Teeth will not be able to meet the three-year profit guarantee and as a result of which I-Teeth and Dr. Chiu will need to pay the shortfall between the Adjusted Net Profit and the Guaranteed Net Profit back to the Target Company. Hence, the expected shortfall will be recorded as an asset in the Company's consolidated statement of financial position and the recorded asset will be subject to annual fair value adjustment to consolidated statement of profit and loss and other comprehensive income.

Right to terminate the Consultancy Agreement

I-Teeth shall not have the right to terminate the Consultancy Agreement for the period of six years commencing on 31 March 2017. The Company may terminate the Consultancy Agreement by serving not less than seven days' notice to such effect to I-Teeth if:

(a) I-Teeth fails to procure Dr. Chiu to provide the Services to the Group in accordance with the terms and conditions of the Consultancy Agreement;

(b) I-Teeth shall be wound up or has a receiving order made against it which is not discharged within thirty days;

(c) I-Teeth or Dr. Chiu is in material breach of the Consultancy Agreement and has failed to rectify such breach within a reasonable time;

(d) Dr. Chiu has ceased to practice as a duly qualified registered dentist by reason of (i) ill health for a continuous period of six months, provided that it shall be certified in writing by a duly qualified independent registered medical practitioner; or (ii) removal of his name from the general register kept by the Registrar of Dentists under the Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong), or revocation of his license, qualifications or certifications required for the practice as a duly qualified registered dentist; or

(e) Dr. Chiu has deceased.

Notwithstanding anything to the contrary, (a) in case Dr. Chiu has deceased, all obligations and liabilities of Dr. Chiu and I-Teeth under the Consultancy Agreement shall cease and terminate forthwith; or (b) neither Dr. Chiu nor I-Teeth shall have any liabilities to the Target Company for failure to provide the Services if the following shall occur after the Guaranteed Period: (i) Dr. Chiu becoming of unsound mind; (ii) Dr. Chiu becoming incapacitated or has a disability or becoming of ill health which renders him unable to perform any dental services or other functions contemplated under the Consultancy Agreement, or that his ability to perform any of the same be reduced; or (iii) revocation or suspension of his license, qualification or certification required for the practice as a duly qualified registered dentist.

Personal guarantee

Pursuant to the Consultancy Agreement, Dr. Chiu has given a guarantee in favour of the Target Company in relation to the due and punctual performance and observance by I-Teeth of all of its obligations, commitments, undertakings, warranties, indemnities, covenants and representations under the Consultancy Agreement and has agreed to indemnify the Target Company against all losses, liabilities, damages, interest, penalties, expenses and costs which the Target Company may suffer through or arising from any breach by I-Teeth of its obligations, commitments, undertakings, warranties, indemnities, covenants and representations.

In the event that I-Teeth defaults for any reason in the performance of any obligation or liability undertaken or to be undertaken by it under or pursuant to the Consultancy Agreement, Dr. Chiu shall unconditionally forthwith upon demand perform or procure performance of and satisfy or procure the satisfaction of the obligation or liability in regard to which such default has been made in the manner prescribed by the Consultancy Agreement so that the same benefits shall be conferred on the Target Company as it would have received if such obligation or liability had been duly performed and satisfied by the defaulting I-Teeth.

Financial information of the Target Company

The Target Company was incorporated in June 2016. Set out below is a summary of the financial information of the Target Company for the date of incorporation to the period ended 31 March 2017, for the year ended 31 March 2018 and for the six months ended 30 September 2018 according to the management accounts of the Target Company:

	For the six months ended 30 September 2018	For the year ended 31 March 2018	For the year ended 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*
		(Note)	*(Note)*
Revenue	25,620	43,733	–
Profit/(loss) before taxation	862	(7,391)	(186)
Profit/(loss) after taxation	707	(7,313)	(158)
Net assets/(liabilities)	35,236	(7,471)	(158)

Note: Due to the change of financial year end of the Target Company from 31 December to 31 March, the 2017 financial period of the Target Company started from 30 June 2016 (date of incorporation) to 31 March 2017 and the 2018 financial year of the Target Company started from 1 April 2017 to 31 March 2018.

The Target Company recorded a loss for the year ended 31 March 2017 and 31 March 2018 as the Target Company was incorporated in June 2016 and had not yet commenced its operations or generated any revenue. The revenue of the Target Company increased from nil for the year ended 31 March 2017 to approximately HK$43.7 million for the year ended 31 March 2018. Besides, if we excluded the amortization of intangible assets and impairment of goodwill of approximately HK$2.0 million and HK$6.9 million respectively, we would have recorded a profit approximately HK$1.5 million for the year ended 31 March 2018. The Target Company also achieved substantial increase in profit and the upward trend in profits has continued with the Target Company recording profits before tax of approximately HK$860,000 for the six months ended 30 September 2018. If the amortisation of intangible assets was excluded, we would have recorded a profit approximately HK$1.9 million. The improvement in the financial performance of the Target Company was mainly attributable to the increase in the amount of dental consultation services rendered. Since commencement of its business, the Target Company has built up its reputation in the market for the provision of dental services including orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services. It had also maintained a good relationship with its customers, which enabled the Target Company to obtain a greater market share in the dental service business.

Based on the above historical financial information, the Directors considered that the prospects of the Target Company's dental business to be promising and would become a major growth driver for the Group's business.

Upon Completion, the Target Company became an indirect wholly-owned subsidiary of the Company.

Financial information of the Business

The Business was founded by Dr. Chiu in April 1993 under the trade name of Dr. Kenny CP Chiu & Dental Surgeons. From August 2008 to July 2009, the Business was also carried on by Dr. Chiu under the trade name of Invisible Orthodontic & Laser Implant Centre. In July 2009, the Business was transferred to I-Teeth. Set out below is a summary of the financial information of the Business for the year ended 31 March 2016 and 31 March 2017 extracted from the management accounts of I-Teeth:

	For the year ended 31 March 2017	**For the year ended 31 March 2016**
	HK$'000	*HK$'000*
Revenue	42,723	36,263
Profit before taxation	11,654	10,147
Profit after taxation	9,757	8,493
Net assets/(liabilities)	NIL	NIL

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of corporate medical and dental solutions to contract customers through the design and administration of tailored medical and/or dental benefit plans for the contract customers and the provision of different combinations of medical and/or dental services through the MediNet Network and/or MediNet Centre and Dental Clinics.

The Target Company has entered into the Consultancy Agreement with Dr. Chiu. Dr. Chiu, who is the principal dental practitioner of the Business, will continue to provide dental services to the customers of the Business. The Business has a proven track record of approximately nine years in providing dental services including orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services to over 45,000 customers.

The Board considered that the Acquisition will enable Well Being Dental and PRC dental clinics of the Group to expand the capacity and diversify the range of its existing dental services, in particular, for more specialised dental services such as invisalign treatment. The Acquisition will broaden the Group's customer's base and increase the number of private patients as well as provide cost savings for the Group due to further discount from suppliers for bulk purchase of dental supplies. Hence, it is expected that the Group will increase its revenue and profit margin as well as achieve long term development of the Group's business as a result of the Acquisition.

In view of the above, the Directors consider that the entering into of the Acquisition Agreement and the terms of the Acquisition, including the Consideration, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

The Directors are of the opinion that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder if the resolution would have been subject to shareholders' approval in a general meeting.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition or are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

Under Rule 19.40 of the GEM Listing Rules, a major transaction must be made conditional on approval by shareholders of an issuer. In this regard and in lieu of holding an extraordinary general meeting of the Shareholders to approve the Acquisition, the Company has, according to the GEM Listing Rules, obtained a written approval on the Acquisition from Medinet International to dispense with such extraordinary general meeting requirement.

As at the Latest Practicable Date, Medinet International, a controlling shareholder (as defined in the GEM Listing Rules), is interested in 585,000,000 Shares, representing 56.25% of the entire issued share capital of the Company. Medinet International is wholly and beneficially owned by Mr. Chan Chi Wai, Nelson, the chairman of the Board and an executive Director.

This circular is despatched to the Shareholders for their information only.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
MediNet Group Limited
Chan Chi Wai, Nelson
Chairman and Executive Director

The following is the text of a report set out on pages I-1 to I-47, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF MASTER CLEVER LIMITED TO THE DIRECTORS OF MEDINET GROUP LIMITED

Introduction

We report on the historical financial information of Master Clever Limited (the "Target Company") set out on pages I-4 to I-47, which comprises the statements of financial position as at 31 March 2017 and 2018 and 30 September 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 30 June 2016 (date of incorporation) to 31 March 2017, the year ended 31 March 2018 and the six months ended 30 September 2018 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-1 to I-47 forms an integral part of this report, which has been prepared for inclusion in the circular of MediNet Group Limited (the "Company") dated 31 January 2019 (the "Circular") in connection with the acquisition of the entire issued share in and shareholder's loans due by the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of the Target Company is included, and such information is based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 March 2017 and 2018 and 30 September 2018, and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 9 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 January 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	Six months ended 30 September 2018
		HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	5	–	43,733	19,834	25,620
Other income		–	20	20	–
Other loss		–	–	–	(260)
Dental professional service expenses		–	(20,441)	(9,685)	(11,729)
Staff costs		–	(6,597)	(2,862)	(3,332)
Depreciation of property, plant and equipment		–	(293)	(36)	(539)
Cost of dental supplies		–	(10,805)	(5,232)	(5,941)
Rental expenses		–	(1,980)	(884)	(1,030)
Other expenses		(17)	(2,105)	(1,221)	(914)
Amortisation of intangible assets	13	(169)	(2,026)	(1,013)	(1,013)
Impairment loss on goodwill	14	–	(6,897)	–	–
(Loss) profit before taxation	6	(186)	(7,391)	(1,079)	862
Income tax credit (expense)	7	28	78	129	(155)
(Loss) profit and other comprehensive (expense) income for the period/year		(158)	(7,313)	(950)	707

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 March 2017 HK$'000	As at 31 March 2018 HK$'000	As at 30 September 2018 HK$'000
Non-current assets				
Property, plant and equipment	11	–	2,404	2,599
Deposits paid for acquisition of property, plant and equipment		–	150	–
Rental deposits	12	309	369	395
Intangible assets	13	11,988	9,962	8,949
Goodwill	14	26,999	20,102	20,102
Contingent consideration receivable	21	4,850	4,850	4,590
		44,146	37,837	36,635
Current assets				
Accounts and other receivables	12	101	758	1,239
Bank balances and cash	15	–+	3,031	8,396
		101	3,789	9,635
Current liabilities				
Accounts and other payables	17	242	4,136	5,664
Contract liabilities	16	–	–	2,254
Amount due to a director	18	1	–	–
Amount due to former immediate holding company	18	42,184	42,000	–
Amount due to a related company	18	–	1,061	1,061
Tax payable		–	94	452
		42,427	47,291	9,431
Net current (liabilities) assets		(42,326)	(43,502)	204
Total assets less current liabilities		1,820	(5,665)	36,839
Non-current liabilities				
Deferred tax liabilities	19	1,978	1,806	1,603
		1,978	1,806	1,603
Net (liabilities) assets		(158)	(7,471)	35,236
Capital and reserve				
Share capital	20	–+	–+	–+
Reserves		(158)	(7,471)	35,236
Total (deficit) equity		(158)	(7,471)	35,236

+ Less than HK$1,000.

STATEMENTS OF CHANGES IN EQUITY

	Share capital	**Capital reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issue of share on date of incorporation *(Note 18)*	–+	–	–	–+
Loss and total comprehensive expense for the period	–	–	(158)	(158)
At 31 March 2017	–+	–	(158)	(158)
Loss and total comprehensive expense for the year	–	–	(7,313)	(7,313)
At 31 March 2018	–+	–	(7,471)	(7,471)
Profit and total comprehensive income for the period	–	–	707	707
Deemed contribution *(Note i)*	–	42,000	–	42,000
At 30 September 2018	–+	42,000	(6,764)	35,236
For the six months ended 30 September 2017 (unaudited)				
At 1 April 2017	–+	–	(158)	(158)
Loss and total comprehensive expense for the period	–	–	(950)	(950)
At 30 September 2017	–+	–	(1,108)	(1,108)

\+ Less than HK$1,000.

Note i: On 5 July 2018, Medinet (BVI) Limited ("Medinet (BVI)") waived the amount due from the Target Company of HK$42,000,000 as deemed contribution (note 28).

STATEMENTS OF CASH FLOWS

	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	2018
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES				
(Loss) profit before taxation	(186)	(7,391)	(1,079)	862
Adjustments for:				
Depreciation of property, plant and equipment	–	293	36	539
Amortisation of intangible assets	169	2,026	1,013	1,013
Impairment loss on goodwill	–	6,897	–	–
Loss on fair value change on contingent consideration receivable	–	–	–	260
Operating cash flows before movements in working capital	(17)	1,825	(30)	2,674
(Increase) decrease in accounts and other receivables and rental deposits	(410)	344	691	(507)
Increase (decrease) in accounts and other payables	242	3,894	3,057	3,407
Increase in contract liabilities	–	–	–	375
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(185)	6,063	3,718	5,949
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	–	(2,697)	(686)	(584)
Deposits paid for acquisition of property, plant and equipment	–	(150)	–	–
CASH USED IN INVESTING ACTIVITIES	–	(2,847)	(686)	(584)

	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	2018
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
FINANCING ACTIVITIES				
Repayment to a director	–	(501)	–	–
Advance from former immediate holding company	184	–	–	–
Repayment to former immediate holding company	–	(184)	(184)	–
Issue of a share	–+	–	–	–
Advance from a director	1	500	500	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	185	(185)	316	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	–+	3,031	3,348	5,365
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	–	–+	–+	3,031
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR, represented by bank balances and cash	–+	3,031	3,348	8,396

+ Less than HK$1,000.

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Target Company is a private limited company incorporated in Hong Kong on 30 June 2016.

The address of the registered office and principal place of business of the Target Company is 16/F., 101 King's Road, North Point, Hong Kong, and Shop A9, G/F., 48 Tonkin Street, Cheung Sha Wan, Kowloon and Unit A, 15/F., Kyoto Plaza, Nos. 491–499, Lockhart Road, Wan Chai, Hong Kong, respectively. The principal activity of the Target Company is provision of general dental services and invisalign treatment services.

The financial information contained in this Circular does not constitute the Target Company's statutory financial statements for either of the years ended 31 December 2016 or 2017. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- As the Target Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.
- The Target Company's auditor, Germain Lai & Co., has reported on these financial statements for each of the two years ended 31 December 2016 and 31 December 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Before 5 July 2018, its immediate holding company and ultimate holding company of the Target Company is Tradewide Investments Limited ("Tradewide Investments") and Progress Ever Limited ("Progress Ever"), limited companies incorporated in British Virgin Islands, respectively. Its ultimate shareholder is Mr. Chau Kai Man ("Mr. Chau").

On 5 July 2018, Medinet (BVI), the wholly-owned subsidiary of MediNet Group Limited ("the Company"), and Tradewide Investments entered into a sale and purchase agreement to acquire the entire issued share in and Shareholder's loans due by Target Company from Tradewide Investments at a cash consideration of HK$32,000,000. Upon completion, Medinet (BVI) became the immediate holding company of the Target Company and MediNet International Limited became the ultimate holding Company of the Target Company.

The functional currency of the Target Company is Hong Kong dollars ("HK$"). The Historical Financial Information is presented in HK$ as HK$ is the appropriate presentation currency for inclusion in the Circular of the Company in connection with the acquisition of 100% equity interests in the Target Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conforms with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Historical Financial Information have been prepared on a going concern basis because Progress Ever, the former ultimate holding company of the Target Company, has agreed to provide adequate funds to enable the Target Company to meet in full its financial obligations as they fall due for a period of twelve months from 31 March 2017 and 31 March 2018.

3. APPLICATION OF NEW AND REVISED HKFRSs

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently adopted accounting policies which conform with HKFRSs, amendments and the related interpretations, which are effective for the accounting period beginning on 1 April 2018 throughout the Relevant Periods except that the Target Company adopted HKFRS 15 "*Revenue from Contracts with Customers*", HKFRS 9 "*Financial Instruments*" and HKFRS 9 "*Prepayment Features with Negative Compensation*" on 1 April 2018 and adopted HKAS 18 "*Revenue*" and HKAS 39 "*Financial Instruments: Recognition and Measurement*" for the period from 30 June 2016 (date of incorporation) to 31 March 2017 and for the year ended 31 March 2018. The accounting policies for revenue recognition under HKFRS 15 and financial instruments under HKFRS 9 are set out in note 4 below.

HKFRS 15 *Revenue from Contracts with Customers*

The Target Company has applied HKFRS 15 for the first time on 1 April 2018. HKFRS 15 superseded HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations.

The Target Company recognises revenue from the provision of general dental services and invisalign treatment services.

The Target Company has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Target Company has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "*Revenue*" and HKAS 11 "*Construction Contracts*" and the related interpretations.

Information about the Target Company's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 4 respectively.

The Target Company has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that there is no material financial impact on the timing and amounts of revenue recognised in prior and current year/periods.

Summary of effects arising from initial application of HKFRS 15

Prior to the application of HKFRS 15, the Target Company recognised receipt in advance at the end of the reporting period based on consideration already received by the Target Company while the provision of invisalign treatment services had not yet been rendered to contract customers. The following adjustment was made to the amounts recognised in the statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Contract liabilities	–	1,879	1,879
Accounts and other payables	4,136	(1,879)	2,257

The following tables summarise the impacts of applying HKFRS 15 on the Target Company's statement of financial position as at 30 September 2018 and statements of cash flows for the six months ended 30 September 2018 for the line item affected. Line items that were not affected by the changes have not been included.

Impact on statement of financial position

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Contract liabilities	2,254	(2,254)	–
Accounts and other payables	5,664	2,254	7,918

Impact on statement of cash flows

OPERATING ACTIVITIES	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Increase in accounts and other payables	3,407	375	3,782
Increase in contract liabilities	375	(375)	–

HKFRS 9 "*Financial Instruments*" and the related amendments

During the six months ended 30 September 2018, the Target Company has applied HKFRS 9, Amendments to HKFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Target Company has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, the financial information for the six months ended 30 September 2018 may not be comparable as the financial information for the period from 30 June 2016 (date of incorporation) to 31 March 2017 and for the year ended 31 March 2018 is prepared under HKAS 39.

Classification and measurement of financial assets

Accounts receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss under HKAS 39 continues to be measured at fair value through profit of loss under HKFRS 9.

Impairment under ECL model

The Target Company applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivables. To measure the ECL, accounts receivables have been individually assessed for debtors with significant balances.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances, are measured on 12-month ECL ("12m ECL") basis. For bank balances, the Target Company only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and has been adjusted for forward looking information that is available. The ECL is not material. Accordingly, no loss allowance has been recognised for bank balances as at 1 April 2018.

At 1 April 2018, the directors of the Target Company have reviewed and assessed the Target Company's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and have concluded that no material financial impact exists, and therefore no adjustment to the opening accumulated losses at 1 April 2018 has been recognised.

At the date of this report, the following new and amendments to HKFRSs and interpretation ("HK(IFRIC)") are not yet effective. The Target Company has not early adopted these new and amendments to HKFRSs and HK(IFRIC).

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the directors of the Target Company anticipate that the application of all other new and amendments to HKFRSs and HK(IFRIC) will have no material impact on the financial statements of the Target Company in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications. 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. Upon application of 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 by the Target Company.

Other than certain requirements which are also applicable to lessor, 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.

As at 30 September 2018, the Target Company has non-cancellable operating lease commitments of approximately HK$3,570,000 as disclosed in Note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Target Company 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.

In addition, the Target Company currently considers refundable rental deposits paid of HK$402,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Target Company intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Target Company will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Target Company intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by The Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value 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 Target Company 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 these 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, 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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

Revenue recognition (accounting policy applicable before 1 April 2018)

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 Target Company and when specific criteria have been met for each of the Target Company's activities, as described below.

The Target Company is mainly engaged in provision of general dental services and invisalign treatment services. Revenue represents service fee received or receivable from provision of dental services to self-paid patients.

Revenue recognition (accounting policy applicable after 1 April 2018)

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those services. Specifically, the Target Company uses 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

The Target Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Target Company's performance as the group performs;
- the Target Company's performance creates and enhances an asset that the customer controls as the Target Company performs; or
- the Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Company's performance in transferring control of goods or services.

For provision of general dental services which the control of services is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed services and the Target Company has present right to payment and the collection of the consideration is probable.

For invisalign treatment services for which the control of the service is transferred when the Target Company has provided consultation services and instructed patients to use and replace invisalign aligners over the service period, revenue is recognised when the customer simultaneously received invisalign treatment services and consumed the benefits provided by the Target Company's performance. The invisalign treatment service income is recognised over time.

A contract liability represents the Target Company's obligation to transfer services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customers.

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purpose, are stated in the statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost 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.

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.

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.

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.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Target Company becomes a party to the contractual provisions of the instrument. 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.

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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

Financial assets (accounting policy applicable before 1 April 2018)

The Target Company's financial assets are classified as financial assets at 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.

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 contingent consideration that may be received by an acquirer as part of a business combination.

A financial asset or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 excludes any dividend or interest earned on the financial assets and is included in the "other loss" line item. Fair value is determined in the manner described in note 26c.

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 accounts and other receivables and bank balances and cash) are measured 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 FTVPL, 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 Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past 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 the 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 to 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.

Financial assets (accounting policy applicable after 1 April 2018)

Classification and measurement of financial assets

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accounts and other receivables and bank balances and cash are subsequently measured at amortised cost.

Contingent consideration receivable is subsequently measured at fair value through profit or loss.

Amortised cost and interest income

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) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of he reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other loss" line item.

Impairment of financial assets

The Target Company recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for account receivables. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Target Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Company considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Definition of default

The Target Company considers that default has occurred when the instrument is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event; or

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Target Company 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 Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities at amortised cost

Financial liabilities (including accounts and other payables and amounts due to a director/immediate holding company/a related company/ultimate holding company) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target Company 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 entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligation 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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is defined contribution retirement benefit plan, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-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.

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 period/year. Taxable profit differs from "(loss) profit before taxation" as reported in the statements 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 Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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 deferred tax 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 each 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 Target Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Target Company reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 a 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.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

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 Target Company, liabilities incurred by the Target Company to the former owners of the acquiree and the equity interests issued by the Target Company 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 Target Company 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.

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.

When a consideration transferred by the Target Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Target Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Target Company's cash generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Target Company disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4A. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 4, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit ("CGU") to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Target Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 March 2017, 31 March 2018 and 30 September 2018, the carrying amount of goodwill is HK$26,999,000 (net of accumulated impairment loss of nil), HK$20,102,000 (net of accumulated impairment loss of HK$6,897,000) and HK$20,102,000 (net of accumulated impairment loss of HK$6,897,000). Details of the recoverable amount calculation are disclosed in note 14.

Impairment assessment of intangible assets with finite useful lives

In accounting for intangible assets, the management considers the potential impairment based on the recoverable amount. Intangible assets are reviewed for impairment if impairment indicator exists. If such indication exists, the recoverable amount of the intangible assets is estimated in order to determine the extent of impairment loss.

Determining whether an intangible asset is impaired requires an estimation of the recoverable amount of the CGU to which intangible asset has been allocated. The recoverable amount of CGU at the end of each reporting period is based on value in use. The value in use calculation requires the management of the Target Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2017, 31 March 2018 and 30 September 2018, the carrying amount of intangible assets amounted to HK$11,988,000, HK$9,962,000 and HK$8,949,000 respectively.

5. REVENUE AND OPERATION SEGMENT

The Target Company is mainly engaged in provision of general dental services and invisalign treatment services. Revenue represents service fee received or receivable from provision of dental services to self-paid patients.

(i) General dental services

The Target Company's general dental services represents dental care services such as scaling and polishing, fillings, intra-oral X-rays and routine oral examination to patients. Generally, the Target Company charges one-off general dental service fee based on an agreed pricing for a specific dental service. The Target Company is obliged to perform the general dental service carried out by dentists or hygienists to self-paid patients.

(ii) Invisalign treatment services

The Target Company's invisalign treatment services are to perform orthodontic treatment to properly move and align teeth of patients with the use of transparent aligner. Dentists will map out precise treatment plans during patients' first time of visit for consultation, including the exact movements of each of the teeth and timeframe of the treatment process. Transparent aligners will then be produced and collected and put on by patients in accordance with instruction of dentists during every subsequent visit. The Target Company agrees a fixed amount of treatment fee with patients during patients' first time visit for consultation. The Target Company charges first installment of invisalign treatment service fee for patients' first time visit for consultation and charges the remaining installments upon patient's every revisit for consultation and collection of transparent aligners.

An analysis of the Target Company's revenue by major service type is as follows:

	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	2018
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
General dental services	–	19,024	9,342	9,410
Invisalign treatment services	–	24,709	10,492	16,210
	–	43,733	19,834	25,620

The Target Company's operating activities are attributable to a single operating and reportable segment focusing on dental services. This operating segment has been identified on the basis of internal management reports, that are regularly reviewed by the chief operating decision maker ("CODM"), Dr. Chiu Chong Po ("Dr. Chiu"), being the director of the Target Company, for the purpose of allocating resources and assessing its performance. The CODM reviews the Target Company's (loss) profit for the period/year as a whole for performance assessment. No further of analysis of this single segment is presented.

All general dental services and invisalign treatment services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts as at 30 September 2018 is not disclosed.

Geographical information

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

As the Target Company's operation and markets are located in Hong Kong, the non-current assets are all situated in Hong Kong.

Information about major customers

No revenue from any customers of the Target Company contributed over 10% of the total revenue of the Target Company for the respective year/period during the Relevant Periods.

Segment assets and liabilities

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

6. (LOSS) PROFIT BEFORE TAXATION

	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	2018
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:				
Directors' remuneration *(Note 8)*	–	–	–	–
Salaries and allowance for staff excluding directors	–	6,375	2,752	3,174
Retirement benefit schemes contributions for staff excluding directors	–	222	110	158
Total staff costs *(Note i)*	–	6,597	2,862	3,332
Dental professional service expenses *(Note ii)*	–	20,441	9,685	11,729
Minimum lease payments in respect of rented premises	–	1,980	884	1,030
Auditor's remuneration *(Note iii)*	3	12	6	–
Loss on fair value change on contingent consideration receivable included in other loss	–	–	–	260

Notes:

(i) Staff costs mainly include payments to the employees of the Target Company including nurses and other staff.

(ii) Dental professional service expenses mainly include laboratory charges and charges by external auxiliary services providers who provide services to the Target Company's customers.

(iii) Auditor's remuneration for the six months ended 30 September 2018 was borne by the Company.

7. INCOME TAX (CREDIT) EXPENSE

	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	Six months ended 30 September 2018
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax	–	94	–	358
Deferred tax *(Note 19)*	(28)	(172)	(129)	(203)
	(28)	(78)	(129)	155

The Target Company operating in Hong Kong is eligible for certain tax concessions. The maximum tax concessions eligible is HK$20,000 and HK$30,000 from 30 June 2016 (date of incorporation) to 31 March 2017 and for the year ended 31 March 2018 respectively.

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

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

	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	Six months ended 30 September 2018
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit before taxation	(186)	(7,391)	(1,079)	862
Tax at Hong Kong Profits Tax rate of 16.5%	(31)	(1,220)	(178)	142
Tax effect of expenses not deductible for tax purpose	3	1,172	33	43
Tax effect of tax loss not recognised	–	–	16	–
Tax concession	–	(30)	–	(30)
Income tax (credit) expense for the period/year	(28)	(78)	(129)	155

Details of deferred taxation are set out in Note 19.

8. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES

Directors

For the period from 30 June 2016 (date of incorporation) to 31 March 2017

	Executive directors			
	Dr. Chiu	**Mr. Ip Kar Yuan, Kevin**	**Mr. Chau**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note i)	*(Note ii)*	*(Note iii)*	
Fees *(Note iv)*	–	–	–	–
Other emoluments				
Salaries and allowances	–	–	–	–
Other benefits and allowance	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–
Total emoluments	–	–	–	–

For the year ended 31 March 2018

	Executive director Dr. Chiu
	HK$'000
	(Note i)
Fees *(Note iv)*	–
Other emoluments	
Salaries and allowances	–
Other benefits and allowance	–
Retirement benefits scheme contributions	–
Total emoluments	–

For the six months ended 30 September 2017

	Executive director Dr. Chiu
	HK$'000
	(Note i)
	(unaudited)
Fees *(Note iv)*	–
Other emoluments	
Salaries and allowances	–
Other benefits and allowance	–
Retirement benefits scheme contributions	–
Total emoluments	–

For the six months ended 30 September 2018

	Executive director Dr. Chiu *HK$'000* *(Note i)*
Fees *(Note iv)*	–
Other emoluments	
Salaries and allowances	–
Other benefits and allowance	–
Retirement benefits scheme contributions	–
Total emoluments	–

Notes:

(i) Being appointed as an executive director and chief executive of the Target Company on 31 March 2017.

(ii) Being appointed as an executive director of the Target Company on 30 June 2016 and resigned on 8 July 2016.

(iii) Being appointed as an executive director of the Target Company on 8 July 2016 and resigned on 31 March 2017.

(iv) No director's fee and other emoluments was received by Dr. Chiu during the Relevant Periods. Instead, Dr. Chiu receives consultancy service fee related to the provision of dental professional services through I-Teeth Limited ("I-Teeth"). Please see Note 23 for details.

Employees

The five highest paid individuals of the Target Company does not include any directors' of the Target Company for the Relevant Periods. Details of the remuneration for the Relevant Periods of the top five highest paid employees who are neither director nor chief executive of the Target Company are as follows:

	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	Six months ended 30 September 2018
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and allowances	–	3,325	1,215	1,410
Retirement benefit scheme contributions	–	79	43	45
	–	3,404	1,258	1,455

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

	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	Six months ended 30 September 2018
	No. of employee	*No. of employee*	*No. of employee*	*No. of employee*
Nil to HK$1,000,000	N/A	5	5	5

There was no arrangement under which the directors 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 Relevant Periods.

9. DIVIDEND

No dividend has been paid or proposed by the Target Company during the Relevant Periods, nor has any dividend been proposed subsequent to 30 September 2018.

10. EARNINGS PER SHARE

No earnings per share information is presented as such information is not considered meaningful by the directors of the Target Company and the Company having regard to the purpose of preparing Historical Financial Information.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Professional equipment	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 30 June 2016 (date of incorporation) and 31 March 2017	–	–	–	–
Additions	1,103	1,477	117	2,697
At 31 March 2018	1,103	1,477	117	2,697
Additions	70	623	41	734
At 30 September 2018	1,173	2,100	158	3,431
DEPRECIATION				
At 30 June 2016 (date of incorporation) and 31 March 2017	–	–	–	–
Provided for the year	153	128	12	293
At 31 March 2018	153	128	12	293
Provided for the period	317	203	19	539
At 30 September 2018	470	331	31	832
CARRYING VALUES				
At 31 March 2017	–	–	–	–
At 31 March 2018	950	1,349	105	2,404
At 30 September 2018	703	1,769	127	2,599

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

Leasehold improvements	20% or over the lease term, whichever is shorter
Professional equipment	20%
Furniture and fixtures	20%–33%

12. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	As at 31 March		As at 30 September
	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*
Accounts receivables	–	159	413
Other receivables			
– Prepayments	45	519	746
– Rental and utility deposits	365	449	475
Total accounts and other receivables	410	1,127	1,634
Less: Receivables within twelve months shown under current assets	(101)	(758)	(1,239)
Rental deposits shown under non-current assets	309	369	395

As at 1 April 2018, accounts receivables from credit card companies amounted to HK$159,000.

Generally, no credit period is granted to customers. The customers of the Target Company would usually settle payments by cash, credit cards or Easy Pay System ("EPS"). For credit card and EPS payments, the credit card companies will normally settle the amounts a few days after the trade date.

As at 31 March 2017, 2018 and 30 September 2018, included in rental and utility deposits are rental deposits placed with related parties of the Target Company, comprising I-Teeth, Karvin Investments Limited ("Karvin Investments") and Dr. Chiu of HK$150,000, HK$150,000 and HK$150,000 respectively.

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

	As at 31 March		As at 30 September
	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	–	159	413

All accounts receivables are due from credit card companies. The Target Company had no accounts receivables which was past due but not impaired for each reporting period. The Target Company only transacts with reputable credit card companies with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these credit card companies. The ECL is not material. Accordingly, no allowance has been recognised for the accounts receivables as at 1 April 2018 and 30 September 2018.

13. INTANGIBLE ASSETS

	Right to use trade names *HK$'000*	**Customer relationship** *HK$'000*	**Total** *HK$'000*
COST			
At 30 June 2016 (date of incorporation)	–	–	–
Arising on acquisition of a business *(note 21)*	7,493	4,664	12,157
At 31 March 2017, 31 March 2018 and 30 September 2018	7,493	4,664	12,157
AMORTISATION			
At 30 June 2016 (date of incorporation)	–	–	–
Charged for the period	104	65	169
At 31 March 2017	104	65	169
Charged for the year	1,248	778	2,026
At 31 March 2018	1,352	843	2,195
Charged for the period	624	389	1,013
At 30 September 2018	1,976	1,232	3,208
CARRYING VALUES			
At 31 March 2017	7,389	4,599	11,988
At 31 March 2018	6,141	3,821	9,962
At 30 September 2018	5,517	3,432	8,949

The right to use trade names represents the right to operate dental clinics to provide services under the trade names of (i) Dr. Kenny CP Chiu & Dental Surgeons and (ii) Invisible Orthodontic & Laser Implant Centre. Customer relationship represents existing customers who will continue to visit dental clinics for dental services.

Right to use trade names and customer relationship acquired in the business combination are identified and recognised as intangible assets. The right to use trade names and customer relationship acquired in the business acquisition are recognised at fair value at the acquisition date. The right to use trade names and customer relationship have finite useful lives. The aggregate amount of right to use trade names and customer relationship are amortised over the period of the useful lives of the right to use trade names and customer relationship, which are assessed as being six years.

Particulars regarding impairment testing of goodwill and intangible assets at 31 March 2017, 31 March 2018 and 30 September 2018 are set out in note 14.

14. GOODWILL

	HK$'000
COST	
At 30 June 2016 (date of incorporation)	–
Arising on acquisition of a business *(note 21)*	26,999
At 31 March 2017, 31 March 2018 and 30 September 2018	26,999
IMPAIRMENT	
At 30 June 2016 and 31 March 2017	–
Impairment loss recognised in the year	6,897
At 31 March 2018 and 30 September 2018	6,897
CARRYING VALUE	
At 31 March 2017	26,999
At 31 March 2018	20,102
At 30 September 2018	20,102

For the purposes of impairment testing, goodwill and intangible assets has been allocated to a CGU representing dental business.

The recoverable amount of this unit at 31 March 2017, 31 March 2018 and 30 September 2018 has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with a pre-tax discount rate of 12.7%, 14.1% and 13.6% per annum, respectively and a growth rate of revenue of 8.5%, 8% and 8% per annum, respectively. Other key assumptions for the value in use calculations relate to the estimation of cash flows, which includes projected sales. The estimation of the key assumptions is based on past performance of the dental business and management expectations of market conditions.

A deterioration of the dental business triggered the impairment provision. An impairment loss of nil, HK$6,897,000, and nil was recognised in profit and loss by the Target Company for the period from 30 June 2016 (date of incorporation) to 31 March 2017, the year ended 31 March 2018 and the six months ended 30 September 2018 based on the impairment assessment performed.

The effect of the reasonably possible change in key assumptions on the calculation of value in use of the CGU, which would cause the carrying amount to exceed its recoverable amount is described below.

If the pre-tax discount rate increased by 1%, while other parameters remain constant, the recoverable amount of the CGU would reduce to HK$25,235,000, HK$18,438,000 and HK$18,466,000, respectively and an impairment of goodwill of HK$1,764,000, HK$1,664,000 and HK$1,636,000 would be recognised, respectively at 31 March 2017, 31 March 2018 and 30 September 2018.

If the yearly growth rate of revenue decreased by 3%, while other parameters remain constant, the recoverable amount of the CGU would reduce to HK$12,542,000, HK$5,934,000 and HK$5,472,000, respectively and an impairment of goodwill of HK$14,457,000, HK$14,168,000 and HK$14,630,000 would be recognised, respectively at 31 March 2017, 31 March 2018 and 30 September 2018.

15. BANK BALANCES AND CASH

Bank balances carried interest at floating rates based on daily bank deposits of 0.01% per annum for each reporting period.

16. CONTRACT LIABILITIES

	As at 1 April 2018	As at 30 September 2018
	HK$'000	*HK$'000*
Contract liabilities	1,879	2,254

The contract liabilities of the Target Company represents the advance payments from customers for future contracted services. The contract liabilities are transferred to revenue when the customers control and receive the benefits of the services.

During the six months ended 30 September 2018, HK$670,000 included in the contract liabilities at 1 April 2018 was recognised as revenue.

17. ACCOUNTS AND OTHER PAYABLES

	As at 31 March		As at 30 September
	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*
Accounts payables	–	2,196	2,986
Other payables	239	–	105
Receipt in advance	–	1,879	–
Accrued staff salaries and dentists' fees	–	–	2,450
Other accrued expenses	3	61	123
Total accounts and other payables	242	4,136	5,664

The credit period of accounts payables is from 90 to 120 days.

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

	As at 31 March		As at 30 September
	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	–	746	1,277
31 to 60 days	–	540	886
61 to 90 days	–	910	823
	–	2,196	2,986

18. AMOUNTS DUE TO A DIRECTOR/FORMER IMMEDIATE HOLDING COMPANY/A RELATED COMPANY

Amounts due to a director, immediate holding company, ultimate holding company and a related company which are non-trade nature are as follows:

	As at 31 March		As at 30 September
	2017	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due to a director			
Dr. Chiu	1	–	–
Amount due to former immediate holding company			
Tradewide Investments	42,184	42,000	–
Amount due to a related company			
I-Teeth[1]	–	1,061	1,061

[1] Dr. Chiu is the director and also the controlling shareholder of this company.

The amounts due to a director, former immediate holding company and a related company are unsecured, interest-free and repayable on demand.

19. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and movements thereon for the Relevant Periods:

	Note	**Amortisation of intangible assets** *HK$'000*	**Accelerated tax depreciation** *HK$'000*	**Total** *HK$'000*
At 30 June 2016 (date of incorporation)		–	–	–
Acquisition of a business	21	2,006	–	2,006
Credited to profit or loss		(28)	–	(28)
At 31 March 2017		1,978	–	1,978
(Credited) charged to profit or loss		(334)	162	(172)
At 31 March 2018		1,644	162	1,806
Credited to profit or loss		(168)	(35)	(203)
At 30 September 2018		1,476	127	1,603

The Target Company has unused tax loss of nil, nil and nil at 31 March 2017, 31 March 2018, and 30 September 2018, respectively, available for offset against future profits. No deferred tax assets has been recognised due to the unpredictability of future profit streams.

20. SHARE CAPITAL

	Number of share	Share capital
		HK\$'000
Issued and fully paid:		
At 30 June 2016 (date of incorporation), 31 March 2017 and 2018 and 30 September 2018	1	–+

+ Less than HK\$1,000.

On 30 June 2016, the Target Company issued 1 ordinary share of HK\$1 for consideration of HK\$1 per share to Tradewide Investments.

21. ACQUISITION OF A BUSINESS

Pursuant to the business transfer agreement dated on 2 March 2017 entered into among I-Teeth, Dr. Chiu and the Target Company, the Target Company acquired the dental business carried out by Dr. Chiu at a consideration of HK\$42,000,000 (the "Acquisition"). The dental business was acquired due to the forward-looking prospects in the dental business industry. The Acquisition was completed on 31 March 2017.

Consideration transferred

	HK\$'000
Cash	42,000
Contingent consideration receivable *(note)*	(4,850)
Total	37,150

Note: The contingent consideration receivable is classified as financial assets at fair value through profit or loss and measured at fair value.

Acquisition-related costs amounting to HK\$200,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 March 2018 within the "other expenses" line item in the statements of profit or loss and other comprehensive income.

Pursuant to the business transfer agreement, each of Dr. Chiu and I-Teeth jointly and severally guarantees to the Target Company that the Target Company's adjusted net profit shall not be less than HK\$7,000,000 ("Guaranteed Net Profit") for each of the three financial years ending 31 December 2020. In the event that the adjusted net profit for a financial year is less than the Guaranteed Net Profit, Dr. Chiu and I-Teeth shall pay the shortfall to the Target Company.

Assets acquired and liability recognised at the date of acquisition:

	HK\$'000
Intangible assets	
– Right to use trade names	7,493
– Customer relationship	4,664
Deferred tax liability	(2,006)
	10,151

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	37,150
Less: net assets acquired	(10,151)
Goodwill arising on acquisition	26,999

Goodwill arose in the acquisition of the business because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, future market development and the assembled workforce of I-Teeth. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The consideration was settled by Tradewide Investments on behalf of the Target Company.

Had the acquisition been completed on 30 June 2016 (date of incorporation), the Target Company's revenue for the period would have been HK$32,800,000, and profit for the period would have been HK$7,312,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Target Company that actually would have been achieved had the acquisition been completed on 30 June 2016 (date of incorporation), nor is it intended to be a projection of future results.

22. OPERATING LEASE COMMITMENTS

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

	As at 31 March		**As at 30 September**
	2017	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Minimum lease payments under operating leases:			
Within one year	1,450	1,995	2,017
In the second to fifth years inclusive	2,056	2,334	1,553
	3,506	4,329	3,570

Operating lease payments represent rentals payable by the Target Company for its office and clinics of dental services. These leases are negotiated for lease terms ranging from one year to five years with fixed monthly rentals for each reporting period. None of the leases includes any contingent rentals.

23. RELATED PARTY DISCLOSURES

(i) During the Relevant Periods, the Target Company entered into following related party transactions:

Name of related company	Relationship	Nature of transaction	For the period from 30 June 2016 (date of incorporation) to 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	Six months ended 30 September 2018
			HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
I-Teeth[1]	Related company	Dental professional service expenses *(Note)*	–	14,027	6,558	8,121
		Rental expense	–	96	48	48
Karvin Investments[2]	Related company	Rental expense	–	300	150	150
Dr. Chiu	Director of Target Company	Rental expense	–	504	252	252

1 Dr. Chiu is the director and also the sole controlling shareholder of this company. The dental professional service expense related to the consultancy service fee paid to Dr. Chiu, in accordance with the consultancy agreement signed on 31 March 2017.

2 Dr. Chiu is the sole controlling shareholder of this company.

(ii) The balances with a director/former immediate holding company/a related company are disclosed in the statements of financial position and in Note 12 and 18.

(iii) The compensation to key management personnel consists of directors' remuneration as set out in Note 8.

24. RETIREMENT BENEFITS PLAN

The Target Company participates in the MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Target Company in funds under the control of an independent trustee. The only obligation of the Target Company 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.

The total expenses of nil, HK$222,000, HK$110,000 (unaudited) and HK$158,000 recognised in profit or loss for period from 30 June 2016 (date of incorporation) to 31 March 2017 and the year ended 31 March 2018 and the six months ended 30 September 2017 and 2018 respectively represents contributions paid or payable to the above schemes by the Target Company.

25. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance.

The capital structure of the Target Company consists of cash and cash equivalents and equity comprising issued share capital and reserves.

The management of the Target Company review the capital structure regularly. The management of the Target Company consider the cost of capital and the risks associated with the capital and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or redemption of the existing debts.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March		As at 30 September
	2017	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	365	3,639	N/A
Financial assets			
Amortised cost	N/A	N/A	9,284
Financial assets			
FVTPL	4,850	4,850	4,590
Financial liabilities			
Amortised cost	42,424	45,257	4,152

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include accounts and other receivables, bank balances and cash, accounts and other payables, amount due to a director, amount due to former immediate holding company and amount due to a related company. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. 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.

Market risk

(i) Interest rate risk

The Target Company is exposed to cash flow interest rate risk relates primarily to variable-rate bank deposits (see Note 15 for details) due to the fluctuation of the prevailing market rate. The Target Company currently does not have a policy on hedging interest rate risk. However, the management of the Target Company will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Target Company. At the end of each reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Target Company has 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 Target Company reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Target Company considers that the Target Company's credit risk is significantly reduced.

The Target Company has no significant concentration of credit risk, with exposure spread over a number of counterparties. The credit risk on receivables from credit card companies are limited because the counterparties have good repayment records.

Overview of the Target Company's exposure to credit risk before adoption of HKFRS 9 at 1 April 2018

The Target Company's credit risk is primarily attributable to its accounts receivables and bank balances.

The Target Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Target Company consider that the Target Company's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparty is a bank with good reputation.

Overview of the Target Company's exposure to credit risk after adoption of HKFRS 9 at 1 April 2018

The Target Company's credit risk is primarily attributable to its accounts receivables. In order to minimise the credit risk, the Target Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The management of the Target Company has individually assessed for debtors with significant balances, and considers that accounts receivables are due from banks with high credit rating and there has been no history of default. Accordingly, no loss allowance has been recognised for accounts receivables as at 30 September 2018.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The management of the Target Company considers that there has been no history of default and considers that bank balances to be low credit risk financial assets and concluded that to 12-month ECL on the bank balances is immaterial. Accordingly, no loss allowance has been recognised for bank balances as at 30 September 2018.

The Target Company's bank balances and accounts receivables are exposed to the following credit risk exposure.

The gross carrying amount of bank balances amounted at HK$8,396,000 as at 30 September 2018. The external and internal credit rating of the bank are A2 and low risk.

The gross carrying amount of accounts receivables amounted to HK$413,000 as at 30 September 2018. The external and internal credit rating of the credit card companies are AA and low risk.

Liquidity risk

The management of the Target Company has built an appropriate liquidity risk management framework for the management of the Target Company's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Target Company's forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Target Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 6 months	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2017				
Non-derivative financial liabilities				
Other payables	–	239	239	239
Amount due to a director	–	1	1	1
Amount due to former immediate holding company	–	42,184	42,184	42,184
		42,424	42,424	42,424
At 31 March 2018				
Non-derivative financial liabilities				
Accounts payables	–	2,196	2,196	2,196
Amount due to a related party	–	1,061	1,061	1,061
Amount due to former immediate holding company	–	42,000	42,000	42,000
		45,257	45,257	45,257
At 30 September 2018				
Non-derivative financial liabilities				
Accounts and other payables	–	3,091	3,091	3,091
Amount due to a related company	–	1,061	1,061	1,061
		4,152	4,152	4,152

(c) Fair value measurements of financial instruments

The management of the Target Company considers that the certain carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

A financial asset of the Target Company is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value at					
	31 March 2017 *HK$'000*	**31 March 2018** *HK$'000*	**30 September 2018** *HK$'000*	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**
Financial Asset						
Contingent consideration receivable *(note 21)*	4,850	4,850	4,590	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the Target Company arising from the contingent consideration.	Discount rate of 13%, 14% and 14% at 31 March 2017, 31 March 2018 and 30 September 2018 respectively *(Note 1)*; Probability-adjusted revenue with a range from HK$48,000,000 to HK$56,892,000 at 31 March 2017, from HK$48,000,000 to HK$56,892,000 at 31 March 2018 and from HK$48,000,000 to HK$56,892,000 at 30 September 2018 respectively *(Note 2)* Probability-adjusted profit with a range from HK$3,010,000 to HK$3,852,000 at 31 March 2017, from HK$3,010,000 to HK$3,852,000 at 31 March 2018 and from HK$3,010,000 to HK$3,852,000 at 30 September 2018 respectively *(Note 2)*

Notes:

1. A slight increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration receivable, and vice versa. A 1% increase in the discount rate holding all other variables constant would decrease the carrying amount of the contingent consideration receivable by HK$130,000, HK$90,000 and HK$130,000, respectively at 31 March 2017, 31 March 2018 and 30 September 2018.

2. A slight increase in the probability-adjusted revenue and profits used in isolation would result in a decrease in the fair value measurement of contingent consideration receivable, and vice versa.

A 1% increase in the revenue holding all other variables constant would decrease the carrying amount of the contingent consideration receivable by HK$1,040,000, HK$1,140,000 and HK$1,250,000, respectively at 31 March 2017, 31 March 2018 and 30 September 2018.

A 1% increase in the profits holding all other variables constant would decrease the carrying amount of the contingent consideration receivable by HK$70,000, HK$80,000 and HK$70,000, respectively at 31 March 2017, 31 March 2018 and 30 September 2018.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Company's statements of cash flows as cash flows from financing activities.

	Amount due to a director	**Amount due to former immediate holding company**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 30 June 2016 (date of incorporation)	–	–	–
Financing cost flows	1	184	185
Acquisition of a business *(notes 21 and 28)*	–	42,000	42,000
At 31 March 2017	1	42,184	42,185
Financing cash flows	(1)	(184)	(185)
At 31 March 2018	–	42,000	42,000
Assignment of debt *(note 28)*	–	(42,000)	(42,000)
At 30 September 2018	–	–	–
Unaudited			
At 1 April 2017	1	42,184	42,185
Financing cash flows	500	(184)	316
At 30 September 2017	501	42,000	42,501

28. MAJOR NON-CASH TRANSACTIONS

During the period from 30 June 2016 (date of incorporation) to 31 March 2017, Tradewide Investments settled the consideration on behalf of the Target Company to acquire the dental business carried out by Dr. Chiu resulting in amount due to ultimate holding company of HK$42,000,000.

During the year ended 31 March 2018, the balance of amount due to a related company represents payment on behalf of the Target Company by I-Teeth for prepayments to suppliers of HK$1,061,000.

On 5 July 2018, Tradewide Investments entered into deed of assignment with the Target Company and Medinet (BVI) to assign the debt of HK$42,000,000 from Tradewide Investments to Medinet (BVI). On the same date, Medinet (BVI) waived the amount as deemed contribution to the Target Company.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company have been prepared in respect of any period subsequent to the Relevant Periods.

The following is the text of a report set out on pages IA-1 to IA-17, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON THE DENTAL BUSINESS HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MEDINET GROUP LIMITED

Introduction

We report on the historical financial information of the dental business for the provision of dental services (the "Dental Business") carried out by I-Teeth Limited ("I-Teeth") with Dr. Chiu Chong Po ("Dr. Chiu"), being the sole shareholder of I-Teeth, set out on pages IA-4 to IA-17, which comprises the statements of financial position as at 31 March 2016 and 2017, and the statements of profit or loss and other comprehensive income and the statements of changes in equity for the year ended 31 March 2016 and 2017 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Dental Business Historical Financial Information"). The Dental Business Historical Financial Information set out on pages IA-4 to IA-17 forms an integral part of this report, which has been prepared for inclusion in the circular of MediNet Group Limited (the "Company") dated 31 January 2019 (the "Circular") in connection with the acquisition of the entire issued share in and shareholder's loans due by Master Clever Limited by the Company.

Directors' responsibility for the Dental Business Historical Financial Information

The directors of I-Teeth are responsible for the preparation of the Dental Business Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Dental Business Historical Financial Information, and for such internal control as the sole director of I-Teeth determine is necessary to enable the preparation of the Dental Business Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Dental Business Historical Financial Information is included, and such information is based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Dental Business Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of

Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Dental Business Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Dental Business Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Dental Business Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Dental Business Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Dental Business Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Company, as well as evaluating the overall presentation of the Dental Business Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Dental Business Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Dental Business as at 31 March 2016 and 2017, and of its financial performance for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Dental Business Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Dental Business Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividend

We refer to Note 9 to the Dental Business Historical Financial Information which states that no dividends have been paid by the Dental Business of I-Teeth in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 January 2019

DENTAL BUSINESS HISTORICAL FINANCIAL INFORMATION

Preparation of Dental Business Historical Financial Information

Set out below is the Dental Business Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Dental Business for the Relevant Periods, on which the Dental Business Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Dental Business Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000
Revenue	5	36,263	42,723
Other loss		–	(296)
Dental professional service expenses		(2,584)	(4,093)
Staff costs		(10,247)	(11,431)
Depreciation of property, plant and equipment		(190)	(218)
Cost of dental supplies		(9,492)	(11,242)
Rental expenses		(1,721)	(1,835)
Other expenses		(1,882)	(1,954)
Profit before taxation	6	10,147	11,654
Income tax expense	7	(1,654)	(1,903)
Profit and total comprehensive income for the year		8,493	9,751

STATEMENTS OF FINANCIAL POSITION

	As at 31 March	
	2016	**2017**
	HK$'000	*HK$'000*
Total assets	–	–
Total liabilities	–	–
Net assets	–	–
Equity	–	–

STATEMENTS OF CHANGES IN EQUITY

	Retained profits
	HK$'000
At 1 April 2015	–
Profit and total comprehensive income for the year	8,493
Deemed distribution to owner *(note i)*	(8,493)
At 31 March 2016	–
Profit and total comprehensive income for the year	9,751
Deemed distribution to owner *(note i)*	(9,751)
At 31 March 2017	–

Note i: The amounts represent the deemed distribution to owner of the Dental Business.

NOTES TO THE DENTAL BUSINESS HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Dental Business is a business unit of I-Teeth, which is a private limited company incorporated in Hong Kong. Its ultimate shareholder is Dr. Chiu Chong Po ("Dr. Chiu"). The address of the registered office and principal place of business of I-Teeth is Shop A9, G/F., 48 Tonkin Street, Cheung Sha Wan, Kowloon, Hong Kong. The principal activity of the Dental Business is provision of general dental consultation services and invisalign treatment services.

Prior to 31 March 2017, Dr. Chiu carried out the Dental Business as the principal dental practitioner of I-Teeth through operation of dental clinics. On 2 March 2017, I-Teeth, Dr. Chiu and Master Clever Limited ("Master Clever") entered into a business transfer agreement to transfer the Dental Business carried out by I-Teeth to Master Clever. The business transfer was completed on 31 March 2017. Since 1 April 2017, Master Clever carried out the Dental Business.

This report includes the Dental Business Historical Financial Information relating to the period from 1 April 2015 to 31 March 2017, when the Dental Business was operated by I-Teeth. The historical financial information relating to the Dental Business since 1 April 2017, is included in a separate accountants' report.

The functional currency of the Dental Business is Hong Kong dollars ("HK$"). The Dental Business Historical Financial Information is presented in HK$ as HK$ is the appropriate presentation currency for inclusion in the Circular of the Company in connection with the acquisition of the Dental Business.

No statements of cash flows is presented as the Dental Business did not have any cash transactions in all years and all of its transactions were settled through current account with I-Teeth.

2. BASIS OF PREPARATION OF THE DENTAL BUSINESS HISTORICAL FINANCIAL INFORMATION

The Dental Business Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conforms with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Dental Business Historical Financial Information has been compiled from the operating results of the Dental Business from the I-Teeth's perspective. The operating results of the Dental Business, for the purpose of this report, were included in this Dental Business Historical Financial Information as follows:

– All revenues and expenses specifically related to the Dental Business were identified and included in the statements of profit or loss and other comprehensive income. Major expenses for which specific identification methods were not practicable were allocated in accordance with the following allocation criteria to the statements of profit or loss and other comprehensive income:

    • Income tax expense was allocated based on the taxable income attributable to the Dental Business.

3. APPLICATION OF NEW AND REVISED HKFRSs

For the purposes of preparing and presenting the Dental Business Historical Financial Information for the Relevant Periods, the Dental Business has consistently adopted accounting policies which conform with HKFRSs, amendments and the related interpretations, which are effective for the accounting period beginning on 1 April 2016 throughout the Relevant Periods.

At the date of this report, the following new and amendments to HKFRSs and interpretation ("HK(IFRIC)") are not yet effective. The Dental Business has not early adopted these new and revised HKFRSs.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[6]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 3	Definition of a Business[7]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
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 1 and HKAS 8	Definition of Material[8]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

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
6 Effective for annual periods beginning on or after 1 January 2021
7 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
8 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the management of the Dental Business anticipate that the application of all other new and amendments to HKFRSs and HK(IFRIC) will have no material impact on the financial statements of the Dental Business in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications. 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.

Other than certain requirements which are also applicable to lessor, 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.

As at 31 March 2017, the Dental Business has non-cancellable operating lease commitments of HK$1,835,000 as disclosed in Note 11. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Dental Business 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. The combination of straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The management of the Dental Business intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the management of the Dental Business will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the management of the Dental Business intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Dental Business Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Dental Business Historical Financial Information includes applicable disclosures required by The Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Dental Business Historical Financial Information has been prepared on the historical cost basis.

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 Dental Business 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 these 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, 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*.

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.

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 Dental Business and when specific criteria have been met for each of the Dental Business' activities, as described below.

Revenue represents service fee received or receivable from provision of dental services to self-paid patients.

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.

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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is defined contribution retirement benefit plan, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-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.

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 statements 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 Dental Business' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

5. REVENUE AND SEGMENT INFORMATION

The Dental Business is mainly engaged in provision of general dental services and invisalign treatment services. Revenue represents service fee received or receivable from provision of dental services to self-paid patients.

The amount of each significant category of revenue recognised for the respective year during the Relevant Periods is as follows:

	Year ended 31 March 2016	**Year ended 31 March 2017**
	HK$'000	*HK$'000*
General dental services	9,150	13,988
Invisalign treatment services	27,113	28,735
	36,263	42,723

The Dental Business' operating activities are attributable to a single operating and reportable segment focusing on dental services. This operating segment has been identified on the basis of internal management reports, that are regularly reviewed by the chief operating decision maker ("CODM"), Dr. Chiu, being the management of the Dental Business, for the purpose of allocating resources and assessing its performance. The CODM reviews the Dental Business' profit for the year as a whole for performance assessment. No further of analysis of this single segment is presented.

Geographical information

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

As the Dental Business' operation and markets are located in Hong Kong, the non-current assets are all situated in Hong Kong.

Information about major customers

No revenue from any customers of the Dental Business contributed over 10% of the total revenue of the Dental Business for the respective year during the Relevant Periods.

6. PROFIT BEFORE TAXATION

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*
Profit before taxation has been arrived at after charging:		
Director's remuneration *(Note 8)*	5,330	5,547
Salaries and allowance for staff excluding directors	4,714	5,660
Retirement benefit schemes contributions for staff excluding directors	203	224
Total staff costs *(Note i)*	10,247	11,431
Dental professional service expenses *(Note ii)*	2,584	4,093
Minimum lease payments in respect of rented premises	1,721	1,835
Loss on written off of property, plant and equipment	–	296

Notes:

(i) Staff costs mainly include payments to the employees of the Dental Business including nurses, other staff and a director of I-Teeth relating to the Dental Business.

(ii) Dental professional service expenses mainly include laboratory charges and charges by external auxiliary service providers who provide services to the Dental Business' customers.

7. INCOME TAX EXPENSE

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*
Hong Kong Profits Tax		
Current tax	1,654	1,903

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

The Dental Business operating in Hong Kong is eligible for certain tax concessions. The maximum tax concessions eligible is HK$20,000 for the year ended 31 March 2016 and 2017.

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

	Year ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000
Profit before taxation	10,147	11,654
Tax at Hong Kong Profits Tax rate of 16.5%	1,674	1,923
Tax concession	(20)	(20)
Income tax expense for the year	1,654	1,903

8. EMOLUMENTS OF DIRECTOR OF I-TEETH RELATED TO DENTAL BUSINESS AND EMPLOYEES

For the year ended 31 March 2016

	Executive director Dr. Chiu HK$'000
Fees	–
Other emoluments	
Salaries and allowances	5,218
Other benefits and allowance	94
Retirement benefits scheme contributions	18
Total emoluments	5,330

For the year ended 31 March 2017

	Executive director Dr. Chiu HK$'000
Fees	–
Other emoluments	
Salaries and allowances	5,418
Other benefits and allowance	111
Retirement benefits scheme contributions	18
Total emoluments	5,547

Employees

The five highest paid individuals of the Dental Business include one director (2016: one) of I-Teeth for the Relevant Periods. Details of the remuneration for the Relevant Periods of the remaining four (2016: four) highest paid employees who are neither a director nor chief executive of Dental Business are as follows:

	Year ended 31 March 2016 *HK$'000*	**Year ended 31 March 2017** *HK$'000*
Salaries and allowances	1,555	1,766
Retirement benefit scheme contributions	65	68
	1,620	1,834

The number of the highest paid individuals who are not a director of I-Teeth relating to the Dental Business, whose emolument fell within the following band is as follows:

	Year ended 31 March 2016 *No. of employee*	**Year ended 31 March 2017** *No. of employee*
Nil to HK$1,000,000	4	4

There was no arrangement under which the directors 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 Relevant Periods.

9. DIVIDEND

During the Relevant Periods, no dividend was paid or declared by the Dental Business to its sole shareholder respectively.

10. EARNINGS PER SHARE

No earnings per share information is presented as such information is not considered meaningful by the directors of I-Teeth and the Company having regard to the purpose of preparing the Dental Business Historical Financial Information.

11. OPERATING LEASE COMMITMENTS

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

	As at 31 March	
	2016	**2017**
	HK$'000	*HK$'000*
Minimum lease payments under operating leases:		
Within one year	1,721	1,835
In the second to fifth years inclusive	1,721	–
	3,442	1,835

Operating lease payments represent rentals payable by the Dental Business for its office and clinics for dental services. These leases are negotiated for lease terms ranging from one year to five years with fixed monthly rentals for each reporting period. None of the leases include any contingent rentals.

12. RELATED PARTY DISCLOSURES

(i) During the Relevant Periods, the Dental Business entered into following related party transactions:

Name of related company	Relationship	Nature of transaction	Year ended 31 March 2016	Year ended 31 March 2017
			HK$'000	*HK$'000*
Karvin Investments Limited[1]	Related party	Rental expense	360	360
Dr. Chiu	Director	Rental expense	420	480
I-Teeth	Dental Business owner	Income recharged to I-Teeth[2]	36,263	42,723
		Expenses recharged by I-Teeth[2]	27,770	32,972

1 Dr. Chiu is the director and also the controlling shareholder of this Company.

2 The amounts represent the charge back of dental service income and expenses which are received or paid on behalf of by I-Teeth.

(ii) The compensation to key management personnel consists of director's remuneration as set out in Note 8.

13. MAJOR NON-CASH TRANSACTIONS

The Dental Business deemed distribution of HK$8,493,000 and HK$9,751,000 to I-Teeth for the year ended 31 March 2016 and 31 March 2017 respectively. The deemed distribution is set off with current account with I-Teeth.

14. RETIREMENT BENEFITS PLAN

I-Teeth participates in the MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of I-Teeth in funds under the control of an independent trustee. The only obligation of I-Teeth 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.

The total expenses of HK$221,000 and HK$242,000 recognised in profit or loss for the year ended 31 March 2016 and 2017 respectively represents contributions paid or payable to the above scheme by the Dental Business.

15. CAPITAL RISK MANAGEMENT

The management of the Dental Business manages its capital to ensure that the Dental Business will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. The capital structure of the Dental Business consists of equity comprising retained profits.

The management of the Dental Business reviews the capital structure regularly. The management of the Dental Business considers the cost of capital and the risks associated with the capital and will balance its overall capital structure through payments of dividends, issue of new debts or redemption of the existing debts.

16. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Dental Business have been prepared in respect of any period subsequent to the Relevant Periods.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 March 2018 ("Unaudited Pro Forma Financial Information"), which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the acquisition of the entire issued share in and shareholder's loans due by Master Clever Limited ("Target Company") (the "Acquisition"), as if the Acquisition had taken place on 31 March 2018.

This Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group had the Acquisition been completed on 31 March 2018 or any future dates.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated statement of financial position of MediNet Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2018 included in the annual report of the Company for the year ended 31 March 2018 and the audited statement of financial position of the Target Company as at 30 September 2018 as set out in the Accountant's Report in Appendix I to this Circular after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies materially consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 March 2018.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Group as at 31 March 2018	The Target Company as at 30 September 2018	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*(note)*	*HK$'000*
	(note 1)	*(note 2)*			
Non current assets					
Property, plant and equipment	8,281	2,599			10,880
Rental deposits	3,314	395			3,709
Other receivables	1,457	–			1,457
Deferred tax assets	1,036	–			1,036
Intangible assets	–	8,949			8,949
Goodwill	–	20,102	(3,236)	3(ii)	16,866
Contingent consideration receivable	–	4,590			4,590
	14,088	36,635			47,487
Current assets					
Inventories	723	–			723
Accounts and other receivables	11,659	1,239			12,898
Amounts due from related parties	169	–			169
Tax recoverable	1,031	–			1,031
Short-term bank deposits	35,000	–			35,000
Loan receivable	5,000	–			5,000
Bank balances and cash	23,272	8,396	(32,919)	3(i),3(iii)	(1,251)
	76,854	9,635			53,570
Current liabilities					
Accounts and other payable	23,771	5,664			29,435
Contract liabilities	–	2,254			2,254
Amount due to the a related party	–	1,061			1,061
Tax payable	–	452			452
	23,771	9,431			33,202
Net current assets	53,083	204			20,368
Total assets less current liabilities	**67,171**	**36,839**			**67,855**
Non current liabilities					
Deferred tax liabilities	–	1,603			1,603
Net assets	**67,171**	**35,236**			**66,252**

Notes to the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group:

1. The balances are extracted from the consolidated statement of financial position of MediNet Group Limited (the "**Company**") and its Subsidiaries (collectively referred to as the "**Groups**") as at 31 March 2018 as set out in the Company's published annual report for the year ended 31 March 2018.

2. The balances are extracted from the statement of financial position of the Target Company as at 30 September 2018 as set out in the accountants' report of the Target Company which have been prepared under Hong Kong Financial Reporting Standards and using accounting policies materially consistent with those of the Group and is included in Appendix I to this Circular rounded to nearest thousand.

3. Pursuant to the agreement entered by the Company and the vendor of the Target Company, Medinet (BVI) Limited, a wholly-owned subsidiary of the Company, will acquire the entire issued share capital of the Target Company and settle a loan due to the former immediate holding company on behalf of the Target Company at an aggregate consideration of HK$32,000,000 which is settled in cash. The Acquisition is accounted for using the acquisition method, which is in accordance with the Group's accounting policies and Hong Kong Financial Reporting Standard 3 "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

   The adjustments represent:

   (i) The consideration for the Acquisition amounting to HK$32,000,000 which is settled in cash;

   (ii) The adjustment on the proforma goodwill arising from the Acquisition which is the difference between the consideration for the Acquisition amounting to HK$32,000,000 and the net assets value excluding the goodwill of the Target Company amounting to HK$15,134,000. For the purpose of preparing the adjustment, the Company did not perform valuation on the fair value of the identifiable assets and liabilities of the Target Company at 31 March 2018. The actual amount of goodwill as at the date of the Acquisition, 5 July 2018, may differ from the amount disclosed in the Unaudited Pro Forma Financial Information, and be subject to the finalisation of valuation report to determine the fair value of identifiable assets and liabilities of the Target Company as at 5 July 2018; and

   (iii) Payment for transaction costs on the Acquisition of approximately HK$919,000 is settled in cash.

4. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 31 March 2018.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Enlarged Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

To the Directors of MediNet Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of MediNet Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 March 2018 and related notes as set out in section A of Appendix II of the circular issued by the Company dated 31 January 2019 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of the entire issued share in and shareholder's loans due by Master Clever Limited on the Group's financial position as at 31 March 2018 as if the transaction had taken place as at 31 March 2018. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2018, on which an auditor's report has been published, and information about the assets and liabilities of Master Clever Limited (the "Target Company") has been extracted by the Directors from the historical financial information included the accountants' report of the Target Company as set out in Appendix IA to the Circular.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 January 2019

Set out below is the management discussion and analysis of the Target Company, which is based on the financial information of the Target Company as set out in Appendix I:

GENERAL NATURE OF THE BUSINESS

The Target Company is principally engaged in the business of operation of two dental clinics for the provision of dental services including orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services. For further information of the general nature of the business, please refer to the paragraphs headed "Information of the Target Company" in the Letter from the Board in this circular.

REVENUE

For the year ended 31 March 2017 and 2018, the Target Company recorded the revenue of nil and approximately HK$43.7 million respectively. For the six months ended 30 September 2018, the Target Company also recorded the revenue of approximately HK$25.6 million, representing an increase of 29.3% as compared with that of approximately HK$19.8 million for the six months ended 30 September 2017. Such increase was primarily due to increase in the number of visits from the patients.

OTHER INCOME

Other income mainly comprised the payment *in lieu* of termination of employment in June 2017.

DENTAL PROFESSIONAL SERVICES EXPENSES

The dental professional services expenses primarily comprised of fees paid to internal and external dentists, hygienist and laboratory charges. The Target Company recorded the dental professional services expenses of nil and approximately HK$20.4 million for the year ended 31 March 2017 and 2018 respectively. The dental professional services expenses increased from approximately HK$9.7 million for the six months ended 30 September 2017 to approximately HK$11.7 million for the six months ended 30 September 2018 which was in line with the increase in the Target Company's revenue.

STAFF COSTS

As at 31 March 2017 and 31 March 2018, the Target Company had nil and 23 employees respectively and the total staff cost were nil and approximately HK$6.6 million as well. Staff cost also increased by approximately 16.4% from approximately HK$2.9 million for the six months ended 30 September 2017 to approximately HK$3.3 million for the six months ended 30 September 2018. The increase was mainly attributable by (i) an increase in the number of staff from 21 to 24 as at 30 September 2017 and 30 September 2018; (ii) annual increase in salaries for the staff; and (iii) increase in bonus paid which was in line with the increase in the Target Company's revenue.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 March 2017 and 2018, the Target Company recorded the depreciation expenses of nil and approximately HK$293,000 respectively. Depreciation expenses of the Target Company for the six months ended 30 September 2017 and 2018 were approximately HK$36,000 and HK$539,000 respectively. The increase was primarily due to the purchase of specialised equipment and decoration for the new dental clinic in Causeway Bay.

COST OF DENTAL SUPPLIES

Cost of dental supplies mainly comprised of drugs and medicine, dental tools, dental instrument and clinic supplies etc. The Target Company recorded cost of dental supplies of nil and approximately HK$10.8 million for the year ended 31 March 2017 and 2018 respectively. The increase in cost of dental supplies from approximately HK$5.2 million for the six months ended 30 September 2017 to approximately HK$5.9 million for the six months ended 30 September 2018 was principally the result of increase in the amount of drugs and other dental consumables consumed by the patients.

RENTAL EXPENSES

The rental expense for the Target Company for the year ended 31 March 2017 and 2018 were nil and approximately HK$2.0 million respectively. The Target Company also recorded the increase in rental expenses from approximately HK$884,000 for the six months ended 30 September 2017 to approximately HK$1.0 million for the six months ended 30 September 2018, primarily due to increase in rent for newly relocated dental clinic in Causeway Bay and new premise in Cheung Sha Wan.

OTHER EXPENSES

Other expenses mainly comprise the payment of general administrative expenses, utilities and miscellaneous expenses etc. The Target Company recorded other expenses of approximately HK$17,000 and HK$2.1 million for the year ended 31 March 2017 and 2018 respectively. But we recorded the decreased from approximately HK$1.2 million for the six months ended 30 September 2017 to approximately HK$0.9 million for the six months ended 30 September 2018 The decrease was mainly due to initial set up fee and other administrative expenses.

LIQUIDITY AND FINANCIAL RESOURCES

The total assets as at 31 March 2017, 31 March 2018 and 30 September 2018 were approximately HK$44.2 million, HK$41.6 million and HK$46.3 million respectively.

The total liabilities as at 31 March 2017, 31 March 2018 and 30 September 2018 were approximately HK$44.4 million, HK$49.1 million and HK$11.0 million respectively.

The current ratio as at 31 March 2017, 31 March 2018 and 30 September 2018 were approximately 0.002 times, 0.08 times and 1.0 times respectively.

COMMITMENTS

The contractual commitments of the Target Company were primarily related to the leases of its office premises. The Target Company's operating lease commitments amounted to approximately HK$3.5 million, HK$4.3 million and HK$3.6 million as at 31 March 2017, 31 March 2018 and 30 September 2018 respectively. As at 31 March 2017, 31 March 2018 and 30 September 2018, the Target Company did not have any capital commitment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the financial year ended 31 March 2017, 31 March 2018 and six months ended 30 September 2018, the Target Company did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the reorganisation.

CONTINGENT LIABILITY

The Target Company had no significant contingent liabilities as at 31 March 2017, 31 March 2018 and 30 September 2018 respectively.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2016, 2017 and 2018 are disclosed in the annual reports of the Company for the years ended 31 March 2016, 2017 and 2018 respectively. These annual reports are published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.MediNetGroup.com).

2. INDEBTEDNESS STATEMENT

For the purpose of this statement of indebtedness, the Enlarged Group had outstanding amount due to a Third party of approximately HK$1,061,000 which is non-trade in nature, unsecured, unguaranteed, interest free and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, the Enlarged Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or material contingent liabilities or guarantees at the close of business of 30 November 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular.

The Directors are not aware of any material changes in the Enlarged Group's indebtedness and contingent liabilities since the close of business on 30 November 2018.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Enlarged Group's internal resources, cash flow from operations, banking facilities available to the Enlarged Group, the Enlarged Group will have sufficient working capital to satisfy its present requirements that is, for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

4. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company became a wholly-owned subsidiary of the Company. The accounts of the Target Company will be consolidated with those of the Group.

Effect on assets and liabilities

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix II to this circular, assuming that Completion had taken place on 31 March 2018, the total assets would increase from approximately HK$91 million to HK$104 million as at 31 March 2018. The total liabilities would increase from approximately HK$24 million to approximately HK$36 million as at 31 March 2018.

Effect on earnings

In light of the future prospects of the Target Company, the Directors are of the view that the Acquisition will be likely to have a positive impact on the future earnings of the Enlarged Group in the long run.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Following Completion, the Enlarged Group would expand its capacity and diversify the range of dental services provided to its customers. In particular, the Enlarged Group would place greater emphasis on more specialize dental services such as invisalign treatment. As a result, Dr. Chiu will not only provide technical support to our Hong Kong dental team but also provide the training to the dentists in the Group's PRC operations. The management believe that it can strengthen the Group's dental services income and also to develop the high-end dental market in the PRC.

Further, the Enlarged Group will have a larger customer base with a higher proportion of private patient customers for its dental services. It will also benefit from cost saving due to further discount from suppliers for bulk purchase of dental supplies.

6. MATERIAL ADVERSE CHANGE

The Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited accounts of the Company were made up to.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of 100% of the issued shares of Master Clever Limited as at 30 September 2018.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

Date: 31 January 2019

The Board of Directors
MediNet Group Limited

Dear Sirs,

Re: Valuation of 100% Equity Interest of Master Clever Limited (the "Target Company")

INSTRUCTIONS

In accordance with the instructions from **MediNet Group Limited** (the "**Company**"), we have completed a valuation of 100% equity interest of the Target Company as at **30 September 2018** (the "**Valuation Date**").

We confirm that we have made relevant enquiries and obtained such information as we consider necessary for the purpose of this valuation.

This report identifies the assets being valued, describes the basis and methodology of valuation, investigation and analysis, assumptions, limiting conditions and presents our opinion of value.

We must point out that this report does not constitute a technical report and does not express opinions on intellectual properties and technologies employed by the Target Company, legal title on any of its operating assets (whether tangible or intangible) and contractual rights involved in the business operations of the Target Company.

The opinions expressed in this report have been based on the information supplied to Asset Appraisal Limited by the management of the Company (the "**Management**"). Whilst we have confirmed that the Management has represented to us that full disclosure has been made of all material information and that to the best of its knowledge and understanding, such information is complete, accurate and true. We have no reason to doubt this representation. No responsibility is assumed by us for any errors or omissions in the supplied information and we do not accept any consequential liability arising from commercial decisions or actions resulting from them.

PURPOSE OF VALUATION

It is our understanding that this report is prepared for the purpose of disclosure in the circular issuance in relation to the discloseable transaction regarding the acquisition of 100% equity interest in the Target Company.

The objective of this valuation is to assess the Fair Value of the Target Company in order to provide the Company with an independent value opinion. The responsibility for determining the agreed consideration of any transaction or share transfer involving the Target Company rests solely with the Company or its subsidiaries. The results of our analysis should not be construed to be an investment recommendation. No one should solely rely on this report for any purchase price determination purpose or as a substitute for their own due diligence. It is inappropriate to use this report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the Target Company and underlying assumptions.

BACKGROUND OF THE TARGET COMPANY

The Target Company is incorporated and domiciled in Hong Kong and is principally engaged in the provision of dental services and solutions (including orthodontic treatments, dental laser implant surgery, teeth whitening and other general dental services) to corporate and individual customers in Hong Kong. Currently, the Target Company is carrying its business operations in its dental clinics situated at the following locations:

- Units A9, A10, A16, G/F, Block A, Merlin Centre, 98 Shun Ning Road, Sham Shui Po, Kowloon;
- Units B7, B8A, B8B and B9, G/F, Block B, Merlin Centre, 88 Shun Ning Road, Sham Shui Po, Kowloon;
- Unit C10, G/F, Block C, Merlin Centre, 55 Po On Road, Sham Shui Po, Kowloon;
- Units D14 and D16, G/F, Block D, Merlin Centre, 65 Po On Ning Road, Sham Shui Po, Kowloon; and
- Unit A, 15/F, Kyoto Plaza, No. 491–499 Lockhart Road, Causeway Bay

All clinic premises mentioned above are being leased by the Target Company from various landlords.

With Dr. Kenny CP Chiu as the principal dental practitioner to head the dental therapy team, the clinics of the Target Company are currently being operated under the trade names of "Dr Kenny CP Chiu & Dental Surgeons" or "Invisible Orthodontic & Laser Implant Centre".

Among various dental services provided by the Target Company, Invisalign® treatments was the major revenue contributor for the financial year ended 31 March 2018. The dental therapy team of the Target Company is well trained and experienced in carrying out orthodontic treatment using Invisalign®.

Invisalign® is an innovative custom made transparent aligner used for orthodontic treatment to properly move and align teeth. The aligners, which are made of patented SmartTrack material, are computer generated from molds of the patients' teeth taken by dental therapists or orthodontists with the aids of 3-dimensional digital scanners. SmartTrack aligner material is a highly elastic material that delivers gentle, more constant force to improve control of tooth movement. The dental therapists will map out precise treatment plans, including the exact movements of each of the teeth and time horizon of the treatment process. Different sets of aligners would be engineered, produced, replaced and put on by the patients such that the teeth would be moved and aligned in controlled and progressive manners. Under normal conditions, the whole process of Invisalign® treatment takes 6 to 18 months to complete. In some circumstances, preparation dental treatments and/or dental surgeries would be required before commencing the Invisalign® treatment process.

INDUSTRY OVERVIEW

Dental service is mainly provided through the private sector in Hong Kong. Most of the dentists are working alone or under small groups of general practitioners. No regulation exists regarding the consultation and treatment fees that the government sets. Thus, huge variations in the services provided and fees charged may be observed within various clinics. Nevertheless, the Dental Council of Hong Kong has issued strict ethical guidelines for the advertisement of dental practices.

Apart from private practices, around 60 nongovernmental organizations (NGOs) in Hong Kong provide dental services. These NGOs are usually welfare organizations, religious groups, labor unions, or social service agencies. Basically, they do not receive subsidies from the government. Therefore, dental services are self-financed and/or covered with donations. Many NGO dental clinics provide similar dental services to those of private practices, but at a relatively lower price. The target population is usually people with low socioeconomic statuses or those from disadvantaged groups, such as the elderly and physically handicapped.

The government dental clinics that the department of health runs offer dental services mainly to civil servants, the dependents of civil servants, and civil servant pensioners. Limited emergency dental services for pain relief, such as tooth extractions, are provided to the public. The oral maxillofacial surgery and dental units under the department of health also provide emergency and specialist dental services, but only for referred patients or hospitalized patients with special oral health care needs.

According to the Hong Kong Dental Association Ltd., Hong Kong had approximately 2,296 registered dentists as at 16 April 2018, and the dentist-to-population ratio was approximately 1:3200. In addition, approximately three-quarters of dentists practice in private dental clinics.

Meanwhile, approximately one-fifth are enrolled in the government sectors. Dentists also work in NGOs or the HKU Faculty of Dentistry, or join the available postgraduate training program. Apart from the undergraduate training, the HKU Faculty of Dentistry offers postgraduate clinical training in various dental specialties. The College of Dental Surgeons of Hong Kong was established in 1993, which aimed to manage and promote postgraduate dental training and dental research. In Hong Kong, eight recognized specialties exist, including community dentistry, endodontics, family dentistry, oral and maxillofacial surgery, orthodontics, pediatric dentistry, periodontology, and prosthodontics. Being a dental specialist requires at least six years of advanced training, which include a three-year master's degree (basic training) and three years of supervised specialty-related clinical practice (higher training). In 2017, the majority of dentists in Hong Kong were general practitioners, whereas around 12% of them were registered dental specialists.

Dental care is manly provided by private dentists in Hong Kong. The public dentists primarily serve civil servants and their dependents, with limited emergency dental services for pain relief offered to the general public. In addition, the government runs the school dental care service, which provides dental treatments to primary school children through dental therapists. They also set up an oral health education unit to promote oral health in the community. According to the data from the Faculty of Dentistry of the University of Hong Kong, Hong Kong had 2,280 registered dentists by end of 2017 and the dentist-to-population ratio was about 1:3200.

As revealed from Oral Health Survey 2011 by the Department of Health, the prevalence of dental caries among 12-year-old children in Hong Kong was 23% in 2011. The caries experience in the mean decayed, missing and filled teeth (DMFT) was 0.4, which was the lowest worldwide. Although the caries experience among 12-year-old children has decreased over the years, the dental caries status among preschoolers is unsatisfactory.

The survey BMC Oral Health 2017 reported that more than half of 5-year-old preschool children suffered from dental caries, and most of the caries were left untreated. The caries experience in the mean decayed, missing (due to caries), and filled teeth for primary teeth was 2.7.

The caries experience among the adult population was also considerable in Hong Kong. The mean DMFT of middle-aged people (35–44 years old) was 6.9 and 4% of them had root caries. Meanwhile, the elderly population (65–74 years old) presented a mean DMFT of 16.2, and 25% of them had root caries. The periodontal condition deteriorated with age among Hong Kong people.

Most 12-year-old children (86%) had gingivitis. Calculus was prevalent (64%) among them. Moving to the adults, only 1% of 35-to44-year-old people had healthy gums. 80% of them had bleeding gums surrounding at least half of their teeth, and 40% of them had deep pockets. In the elderly population (over 65 years old), it was found that almost all (97%) of them had bleeding gums, and more than half (60%) presented deep pockets. Hence, the periodontal status indicates that people in Hong Kong need professional periodontal care, such as scaling and the polishing of teeth.

As revealed from the market study by Ipsos Limited, total revenues of private dental services industry in Hong Kong is approximately HK$4.93 billion in 2014 and an continue upward trend of the total revenue is expected in the coming years as a result of increasing household disposal income, increasing oral health awareness, higher demands for professional and up-market dental services as well as the Government's healthcare voucher subsidies to support Hong Kong's ageing population to visit private dental services.

BASIS OF VALUATION

The valuation of the share equity of the Target Company has been arrived at on fair value basis. Fair value is defined as 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.

SCOPE OF WORK AND KEY ASSUMPTIONS

The results of our valuation are based on the assumptions stated herein and on information provided by the management of the Company and/or their representative(s) (together referred to as the "**Management**").

Our valuation included discussion with the Management with regard to the history, operation and prospects of the business of the Target Company, an overview of certain financial data, an analysis of the industry and competitive environment, analysis of historical and prospective financial results, an analysis of comparable transactions and review of transaction documents, operating statistics and other due diligence documents.

We made reference to or reviewed the following major documents and data:

1. Brief description of the potential share transfer in relation to the transfer of ordinary shares of the shareholders of the Target Company;

2. Prevailing government policies, relevant license and landscape on the dental service industry in Hong Kong;

3. Historical income statement and the financial positions of the Target Company for a period of 12 months ended 30 September 2018;

4. Description of operating assets held and engaged by the Target Company in undertaking its normal operations

We assumed that the data we obtained in the course of our valuation, along with the opinions and representations provided to us by the Management are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading.

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for Hong Kong, major nations and specific competitive environments affecting the industry;
- the stage of development of the Target Company;
- the legal and regulatory issues of the dental service industry in general;
- the business risks of the Target Company;
- the price multiples of the comparable companies engaging in business operations similar to the Target Company; and
- the experiences and professional qualifications of the Target Company and its dental therapy team.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- there will be no major changes in the laws, rules or regulations, financial, economic, market and political conditions where the Target Company operates which may materially and adversely affect its business;
- there will be no major changes in the current taxation law in Hong Kong;
- the Target Company will fulfill all legal and regulatory requirements necessary to conduct its business;
- the Target Company will not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;
- there will not be any adverse events beyond the control of the Management, including fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect its clinic premises and its normal operations;
- the future movement of interest rates will not differ materially from prevailing market expectations;

- the Target Company will retain competent management, key personnel and technical staff for its operations;
- the audited financial statements of the Target Company supplied to us have been prepared in a manner truly and accurately reflected the financial positions of the Target Company as at the balance sheet date;
- the Target Company has obtained all necessary permits and approvals to carry out its business and its ancillary services and shall be entitled to renew those permits and approvals upon their expiry subject to no legal impediment and costs of substantial amount;
- except those stated in the financial statements, the Target Company is free and clear of any lien, charge, option, pre-emption rights or other encumbrances or rights whatsoever; and
- the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other typical benefits which may influence the ordinary business enterprise value of the Target Company.

VALUATION METHODOLOGY

In the appraisal of the Target Company, we have considered three generally accepted approaches namely Cost Approach, Income Approach and Market Approach.

Cost approach establishes value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

Selection of Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

Given the nature of the business operations of the Target Company and the availability of market information, it is considered that the market approach is the most optimal approach to value the Target Company. Both the cost approach and the income approach have been disclaimed and have also not been engaged as secondary approach to cross-check the valuation results derived from the market approach.

Under the cost approach (also known as the asset based approach), the fair value of equity interest is determined based on the replacement costs or reproduction costs of assets rather than the ability to generate streams of benefits in the future. As the economic value of the Target Company is mainly attributable to its ability to generate revenues through its products but not the value or replacement costs of its assets, the cost approach is incapable to reliably reflect the value of its equity interest. Therefore, this approach has been disclaimed as both primary valuation approach and secondary approach for counter-checking purpose.

Under the income approach, the fair value of equity interest is the function of future net cash flows that can be generated from the business operations of the Target Company and the discount rate by which the future net cash flow stream is discounted to present values. The reasonableness of the fair value determined by the income approach depending on the estimation of various projected inputs including but not limiting to number of customers, product pricing, operating costs and their growth rates over the projection period. Despite the fact that a business plan has been prepared by the Management, given the uncertainty and dynamic nature of the relevant businesses, it is difficult to form a reliable basis for estimating various projection inputs. Furthermore, as discussed with the Management, there is tremendous uncertainty in the future product mix, production costs and product pricing. In the absence of reliable business projection, the income approach is considered to be not a reliable valuation approach for valuing the Target Company and has been disclaimed as both primary valuation approach and secondary approach for counter-checking purpose.

The market approach was considered to be the most appropriate valuation approach in this valuation, as it is the most direct valuation approach by which fair value is concluded based on market determined market prices paid by market participants for similar assets on the marketplace.

The market approach determines the fair value of the assets by reference to the transaction prices, or "valuation multiples" implicit in the transaction prices, of identical or similar assets on the market. Valuation multiples are ratios that relate business value to some measure of the company's financial measures, such as historical or prospective turnover or profit at a given level. Valuation multiples are applied to the corresponding financial parameter of the subject asset in order to value it. For this valuation, the guideline company method of market approach has been adopted as the primary valuation method.

Selection of Price Ratio

Typical price multiples commonly used are:

- Price-to-Revenue Ratio;
- Price-to-Earnings Ratio; and
- EV-to-EBITDA

Given the availability of public information regarding the financial measures of the comparable companies, the Price-to-Earnings Ratio has been adopted for price multiple computation and comparison.

Identification of Guideline Companies

Several business entities engaging in similar line of businesses have been identified and their share transaction price ratios against specific economic measures have been analysed for comparison purpose.

- Principal business activities – the companies are primarily engaged in medical service businesses or provision of medical supporting services.
- Location and scale of operations – the markets in which the comparable companies are being operated (including Hong Kong, Germany, Denmark, New Zealand and Kunming) are all developed economies commanding high level of awareness and affordability toward healthcare services. Among the selected comparable companies, none of them is in an influential or dominated position in their respective specialty fields and markets. The medical service industry landscape of these markets in term of health spending per capita and health spending as GDP share are within comparable range:

Market	Health Spending per capita (US$) in 2015	Spending on healthcare as % of GDP
Hong Kong	2,438	6%
Germany	4,592	11.3%
Denmark	5,497	10.6%
New Zealand	3,554	9.34%
Kunming	578	6%

Source: Statistics from The World Bank, the Organisation for Economic Co-operation and Development (OECD) and the Kunming Statistical Bureau.

- Source of revenues – the companies are all deriving their revenues from their core medical business operations.

- Timeliness – the optimal comparable transactions are those taken place near to the Valuation Date. In balancing the comprehensiveness of comparable evidences and availability of comparable transactions around the valuation date, we have selected comparable transactions taken place within a period of 2 years from the Valuation Date. Given the non-cyclical nature of healthcare sector subject to relatively low volatility against general market change, transactions of 2 years before the Valuation Date are considered as useful comparables.

- Availability of the valuation multiple – the comparable transactions are selected when the relevant parameters including transaction price and net operating profit of the respective comparable company have been publicly disclosed and the companies were not loss making around the date of transaction.

- Exhaustive of comparables – we have attempted to search for as many comparable companies as possible through reliable sources of information disclosed by the purchasers of respective transactions officially. The list of selected comparable transactions is an exhaustive list based on the aforesaid criteria.

Given the above selection criteria, the following transactions of share capital and/or business operations of the identified guideline companies have been selected for comparison purpose:

Comparable Transaction 1

Date of Transaction:	23 September 2016
Vendor:	Union Chiropractic and Physiotherapy Limited
Purchaser:	Mr. Lin Fu Chien and Ms. Mak Wing Man
Transacted Companies:	New York Medical Group (Pain Center); New York Medical Group Central; New York Medical Group Kwun Tong; New York Medical Group Midlevels; New York Medical Group North Point; New York Medical Group Quarry Bay; New York Medical Group Shatin; New York Medical Group Tsimshatsui; New York Medical Group Tsuen Wan; New York Medical Group Wan Chai
Sale Shares:	51% shares of each of the Transacted Companies
Consideration:	HK$32,768,760
Aggregate net profits after tax:	HK$5,994,670 for year ended 31 March 2016
Implied PE Ratio:	10.72 times
Business of the Transacted Companies:	The Transacted Companies are one of the largest group of chiropractors, physiotherapists and other health professionals in Hong Kong which specialise in the musculoskeletal and nervous systems. The chiropractic doctors of the Transacted Companies have received their degrees and licences in the United States of America, the United Kingdom, Canada, Australia and New Zealand which offer professional chiropractic therapy and spinal health management. The nature of this business is highly akin to that of the Target Company as it involves operations of clinics providing medical treatments to patients by medical professionals.
Source:	Announcement released by Union Medical Healthcare Limited (Stock Code: 2138) on 23 September 2016

Comparable Transaction 2

Date of Transaction:	28 August 2018
Vendor:	Dr. Duan Zhihuan and Mr. Han Ning
Purchaser:	Hong Kong C-MER International Eye Care Group (China) Limited
Transacted Company:	Kunming Eye Hospital
Sale Shares:	80% shares of the Transacted Company
Consideration:	RMB30,000,000 paid to the Vendors and RMB20,000,000 paid to the Transacted Company as capital injection
Net profit after taxation:	RMB3,810,000 for 12 months ended 31 December 2017
Implied PE Ratio:	11.48 times
Business of the Transacted Companies:	The Transacted Company is principally engaged in the operations of Kunming Eye Hospital which is specialized in offering treatment and therapy services for ophthalmic diseases which include, amongst others, cataract, corneal and external eye diseases, glaucoma, vitreoretinal and macular diseases. The nature of this business is highly akin to that of the Target Company as it involves provisions of medical treatments to patients by medical professionals.
Source:	Announcement released by C-MER Eye Care Holdings Limited (Stock Code: 3309) on 28 August 2018.

Comparable Transaction 3

Date of Transaction:	5 December 2016
Vendor:	Dr. Markus Ivo Beckers and Mr. Johannes Herbert Lex
Purchaser:	Permadental GmbH
Transacted Companies:	Ratiodental GmbH and Zahnmanufaktur Köln Dr. M.B. GmbH
Sale Shares:	100% shares of the Transacted Companies
Consideration:	HK$8,594,000 (Euro1,039,000)
Aggregate net profits after tax:	HK$1,177,000 for year ended 31 December 2016
Implied PE Ratio:	7.30 times
Business of the Transacted Companies:	The Transacted Companies are primarily engaged in the production and distribution of dental prosthetic in Germany. This business is playing an vital role in the dental clinic operations and working hand in hand with dentists for completing dental surgeries and orthodontia treatments in dental clinics. It demands specialty dental techniques and technologies for provisions of right dental prosthetics (such as dentures, implants, crowns, bridges and other prosthetic solutions) that best fit the requirements of the dentists and the intraoral conditions of the patients. Therefore, the factors affecting its business risk and opportunities are similar to those face dental clinic operations.
Source:	Page 146 of Annual Report 2017 released by Modern Dental Group Limited (Stock Code: 3600) on 29 March 2018

Comparable Transaction 4

Date of Transaction:	1 July 2017
Vendor:	Not disclosed
Purchaser:	Modern Dental Europe B.V.
Transacted Company:	Schmidt Dentalkeramik ApS
Sale Shares:	100% share of the Transacted Company
Consideration:	HK$9,131,000 (Euro1,105,000)
Net profit after taxation:	HK$868,000 for year ended 31 December 2017
Implied PE Ratio:	10.52 times
Business of the Transacted Companies:	The Transacted Company is a well-known dental laboratory in the central business district of Denmark. It has grown rapidly with innovative products such as model-less monolithic restorations based on intra-oral scans. The Transacted Company has successfully positioned itself as a supplier of highly esthetic conventional fixed dental prosthetics as well as an innovative solution provider for efficient and esthetic digital workflows. This business is playing an vital role in the dental clinic operations and working hand in hand with dentists for completing dental surgeries and orthodontia treatments in dental clinics. It demands specialty dental techniques and technologies for provisions of right dental prosthetics (such as dentures, implants, crowns, bridges and other prosthetic solutions) that best fit the requirements of the dentists and the intraoral conditions of the patients. Therefore, the factors affecting its business risk and opportunities are similar to those face dental clinic operations.
Source:	Page 134 of Annual Report 2017 released by Modern Dental Group Limited (Stock Code: 3600) on 29 March 2018

Comparable Transaction 5

Date of Transaction:	1 June 2016
Vendor:	Ceralius Pty Limited, Sobengu Pty Limited and NDC Australia Pty Limited
Purchaser:	SCDL Pty Limited
Transacted Company:	Schmidt Dentalkeramik ApS
Sale Shares:	100% share of the Transacted Company
Consideration:	HK$2,574,000 (Australian Dollars 456,000)
Net profit after taxation:	HK$265,000 for year ended 31 December 2016
Implied PE Ratio:	9.71 times
Business of the Transacted Companies:	The Transacted Company provides traditional and modern dental laboratory work and restoration services in South East Queensland. It offers crown and bridge, splint/LVI, implants, gold and alloy, and dentures. It also provides specialist milling, CAD/CAM, Trios, and SpectroShade services. This business is playing an vital role in the dental clinic operations and working hand in hand with dentists for completing dental surgeries and orthodontia treatments in dental clinics. It demands specialty dental techniques and technologies for provisions of right dental prosthetics (such as dentures, implants, crowns, bridges and other prosthetic solutions) that best fit the requirements of the dentists and the intraoral conditions of the patients. Therefore, the factors affecting its business risk and opportunities are similar to those face dental clinic operations.
Source:	Page 140 of Annual Report 2017 released by Modern Dental Group Limited (Stock Code: 3600) on 29 March 2018

Comparable Transaction 6

Date of Transaction:	12 August 2017
Vendor:	Fortune Sky Developments Limited, Ever Edge International Limited, Wealth Choice Global Limited, Ultimate Winner Ventures Limited, Outstanding Global Investments Limited, Red Summit Limited and One Heart Global Limited
Purchaser:	Double Ally Limited
Transacted Company:	Golden Time Ventures Limited
Sale Shares:	100% shares of the Transacted Company
Consideration:	HK$302,000,000
Net profit after taxation:	HK$25,000,000 for 12 months immediately after the completion of the company transaction
Implied PE Ratio:	12.08 times
Business of the Transacted Companies:	The Transacted Company is principally engaged in the operations of 2 medical centres and 3 beauty centres all in Causeway Bay, Tsim Sha Tsui and Sau Kei Wan, Hong Kong. The nature of this business is highly akin to that of the Target Company as it involves operations of clinics providing medical treatments to patients by medical professionals.
Source:	Announcement released by Common Splendor International Health Industry Group Limited (Stock Code: 286) on 12 August 2017

The price-to-earnings multiples of all the above comparable transactions have a sample mean and median of 10.30 and 10.62 respectively with a sample standard derivation of 1.68. Save for comparable transaction 2, none of the price-to-earnings multiples of the comparable transactions is more than 1 standard derivation away from the sample mean. This implies that market prices of businesses in this sector are relatively stable over the concerned period (i.e. between 2016 and 2018) in term of price-to-earnings multiples. Therefore, the selected comparable transactions are regarded as representative samples that can reflect the latest market trend for the valuation of the Target Company.

The average price-to-earnings multiple of the above comparable transactions is 10.30. An expected price-to-earnings multiple of 10 has been adopted for valuation of the Target Company.

Net Profit After Taxation of the Target Company

The unaudited income statement of the Target Company for 12 months' period ended 30 September 2018 is reported as follows:

	12 months' ended 30 September 2018
	HK$'000
Revenues	50,033
less Costs of Sales	(33,512)
Pharmaceutical Supplies	(8,757)
Laboratory Fee	(3,931)
Salaries to Surgery Team	(20,824)
Gross Profit	16,521
less Administrative Expenses	(12,415)
Profit before taxation *(Note 1)*	4,106
less Net Tax Payable *(Note 2)*	(677)
Profit after taxation	3,429

Notes:

1. Profit before taxation of the Target Company for 12 months ended 30 September 2018 is based on audited figures for 12 months from 1 October 2017 to 30 September 2018. The unaudited income statement has been prepared in consistent with Company's accounting policy and adopted for this valuation as it reveals the most up-to-date operating results and financial positions of the Target Company.

2. The computation of net tax payables has been calculated based on standard corporate profit tax rate of Hong Kong (being 16.5% as prevailing on the Valuation Date).

Determination of Fair Value of 100% share capital of the Target Company

Given the expected Price-to-Earnings Ratio and the reported net profit after tax as determined above, the fair value of 100% share equity of the Target Company is valued as follows:

	HK$'000
Net Profit after taxation (for 12 months ended 30 September 2018)	3,429
Expected Price-to-Earnings Ratio	10
100% Share Capital of the Target Company	34,290
Round to	34,000

LIMITING CONDITIONS

During the course of our valuation, we have reviewed the financial information, management representations and other pertinent data and the information made available to us. We have no reason to doubt the truth and accuracy of the information provided to us. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the business enterprise and its operating assets valued. In this valuation, it is presumed that, unless otherwise noted, the owners' claim is valid, the property rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes.

No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond that customarily employed by us.

Our conclusions assume continuation of prudent management policies over whatever period of time considered to be necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect their market value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

We do not investigate any industrial safety and health related regulations in association with this particular operations. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the government legislation and guidance.

No allowance has been made in our valuation for any off-balance sheet charges, debts or amounts owing on the assets valued nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the assets valued are free from any off-balance sheet encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

CONCLUSION OF FAIR VALUE

Based on the investigation and analysis stated above and on the valuation method employed, in our opinion that the fair value of 100% share capital of the Target Company as at **30 September 2018** is **HK$34,000,000 (HONG KONG DOLLARS THIRTY FOUR MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the appraised assets or the value reported.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Yours faithfully,

For and on behalf of
Asset Appraisal Limited

Tse Wai Leung
CFA
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a holder of Chartered Financial Analyst (CFA). He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of assets in Hong Kong, in Macau and in the PRC. He has previous experiences in valuing metal smelting, casting and processing businesses in the PRC.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any its associated corporation (within the meaning of Part XV of the SFO, which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares held *(Note 1)*	Approximate percentage of the Company's issued share capital
Mr. Chan Chi Wai, Nelson	Interest of controlled company *(Note 2)*	585,000,000 (L)	56.25%
Ms. Jiang Jie	Interest of spouse *(Note 3)*	585,000,000 (L)	56.25%

Notes:

1. The letter "L" denotes to long position in the shares of the Company.

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

3. 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 in the shares of the Company in which Mr. Chan is deemed to be interested under Part XV of the SFO.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any its associated corporation (within the meaning of Part XV of the SFO, which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.)

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, controlling shareholders or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 March 2018 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL CONTRACT

The following contract (not being contract entered into in the ordinary course of business) has been entered into by the members of the Group within the two years immediately preceding the date of this circular and is or may be material:

The Acquisition Agreement.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. EXPERTS

The following are the qualification of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu (“**Deloitte**”)	Certified Public Accountants
Asset Appraisal Limited	Independent valuer

As at the Latest Practicable Date, each of Deloitte and the Valuer did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of Deloitte and the Valuer was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Deloitte and the Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.

9. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee comprises three members, Mr. Leung Po Hon (as Chairman), Dr. Lieu Geoffrey Sek Yiu and Mr. Wong Wai Leung, being all the independent non-executive Directors. The primary duties of the audit committee are 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.

Mr. Leung Po Hon ("**Mr. Leung**"), aged 54, was appointed as an independent non-executive Director on 19 May 2016. Mr. Leung is currently a practicing director of Poon and Tong C.P.A. Limited, which he joined in 2001. Mr. Leung 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 is currently an independent non-executive director of each of Flying Financial Service Holdings Limited (stock code: 8030) since 15 August 2014 and Kingbo Strike Limited (stock code: 1421) since 13 November 2015. Mr. Leung has more than 20 years of experience in accounting, auditing and financial management.

Dr. Lieu Geoffrey Sek Yiu ("**Dr. Lieu**"), aged 69, 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. Wong Wai Leung ("**Mr. Wong**"), aged 41, 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 (stock code: 1583), 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 has been an independent non-executive director of Vertical International Holdings Limited (stock code: 8375) since October 2017 up to the present. 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.

10. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business in Hong Kong of the Company is situated at 16/F, 101 King's Road, North Point, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong and transfer office is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Leung Man Fai, who is a member of the Hong Kong Institute of Certified Public Accountants.

(e) The compliance officer of the Company is Mr. Chan Chi Wai, Nelson.

(f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Business Days at the office of the Company at 16/F, 101 King's Road, North Point, Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandum of association and articles of association of the Company;

(b) the material contract referred to in the paragraph headed "Material contract" in this Appendix;

(c) the written consents of experts referred to in the paragraph headed "Experts" in this Appendix;

(d) the accountants' report prepared by Deloitte on the Target Company, the text of which is set out in Appendix I to this circular;

(e) the accountants' report prepared by Deloitte on the dental business historical financial information, the text of which is set out in Appendix IA to this circular;

(f) the letter from Deloitte in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix II to this circular;

(g) the annual reports of the Company and its subsidiaries for the two financial years ended 31 March 2017 and 31 March 2018;

(h) the Valuation Report prepared by Asset Appraisal Limited on the Target Company, the text of which is set out in Appendix V to this circular; and

(i) this circular.