MediNet Group Ltd
醫匯集團有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8161

2019
ANNUAL REPORT 年報

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

COMPLIANCE OFFICER

Mr. Chan Chi Wai, Nelson

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

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

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISER

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
(which will be relocated to
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong with effect from
11 July 2019)

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY WEBSITE

www.MediNetGroup.com
(information of this website does not form part of this report)

STOCK CODE

8161

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors (the "**Directors**") of the Company and its subsidiaries (collectively the "**Group**"), I am pleased to present this annual report of the Group to you.

A YEAR IN REVIEW

MediNet is one of the well-known corporate healthcare solutions provider and has been serving in Hong Kong since 1994. Through our enormous medical network and self-operated medical centres (the "**MediNet Centres**") and dental clinics (the "**Dental Clinics**"), we provide comprehensive healthcare benefit plans to our corporate customer, insurance companies and individuals. Based on the client's needs, budget, scope of healthcare benefits desired etc, we design and tailor-made the comprehensive suite of healthcare solutions for our contract customers. Our goal is to create the trusted and long-term relationship with clients therefore, we devote every effort to understand our clients well and satisfy their needs, which is one of the keys to the success of our business.

During the year ended 31 March 2019 ("**FY2018/19**"), the Group established its first high-end dental clinic in Shenzhen (the "**Shenzhen Dental Clinic**"). It was an important milestone for the Group to tap into the People's Republic of China (the "**PRC**") market. Although we recorded a slight decrease in our profit when compared with last year ended 31 March 2018 ("**FY2017/18**"), we are confident that it will contribute significantly to our financial performance in the future. Meanwhile, as the development of private healthcare in the PRC is a slow and long process that requires significant time and capital investment, the Board has decided to terminate the development of integrated medical centre in Jiangmen and continue to focus on establishing or acquiring small dental clinics in our strategic sites in order to expand our market share in the PRC.

Furthermore, the Group also changed the proposed use of proceeds from the listing of the Company's shares on GEM (the "**Listing**") to acquire the dental business (the "**Acquired Business**") held by Master Clever Ltd on 12 July 2018, a company which is principally engaged in the business of operation of dental clinics for the provision of dental services including invisalign treatment, implant surgery, teeth whitening etc. As a result, the Acquired Business has boosted our revenue significantly for FY2018/19. In addition, the Group also expects the acquisition will expand the capacity and diversify the range of its existing dental services, in particular for more specialized dental services such as invisalign treatment.

Meanwhile, our management team will continue to focus on economising resources on our existing operations by streamlining our operation flow and manpower to achieve cost-saving and operation efficiency. We believe that not only will we provide high quality services to our customers but also create substantial returns to our shareholders.

FORWARD

Going forward, the Group will further strengthen its efforts in the PRC business as mentioned above. We will continue to be active exploring and making strategic acquisitions to expand the PRC dental services market. At the same time, we will continue to maintain and foster our core business of medical and dental solutions and services in Hong Kong.

WORDS OF THANKS

Lastly, on behalf of the Board, I would like to express my heartfelt thanks to all our staff for their contribution and dedication to the Group in the past year and my sincere gratitude to all shareholders, business partners and clients for their support to the Group.

Chan Chi Wai, Nelson
Chairman

24 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of medical and dental solutions to corporates and insurance companies through the tailor-made design to provide different combination of medical and/or dental services. Currently, we operate two MediNet Centres, seven Dental Clinics and one DNA genetic laboratory centre (the "**DNA Laboratory Centre**") in Hong Kong. In addition, the Group established one dental clinic in Shenzhen in June 2018 so as to develop dental business in PRC.

Furthermore, the Group also changed the proposed use of proceeds from the listing of the Company's shares on GEM (the "**Listing**") to acquire the dental business (the "**Acquired Business**") held by Master Clever Ltd on 12 July 2018, a company which is principally engaged in the business of operation of dental clinics for the provision of dental services including invisalign treatment, implant surgery, teeth whitening etc. As a result, the Acquired Business has boosted our revenue significantly for FY2018/19. In addition, the Group also expects the acquisition will expand the capacity and diversify the range of its existing dental services, in particular for more specialized dental services such as invisalign treatment.

The Group's revenue significantly increased by approximately 44.0% from approximately HK$97.8 million for the FY2017/18 to approximately HK$140.8 million for FY2018/19. However we also recorded a net loss of approximately HK$13.4 million for FY2018/19, which represented an increase of approximately HK$730,000 as compared with FY2017/18. Our earnings before interest, tax, depreciation and amortisation (the "**EBITDA**") also improved from a loss of approximately HK$11.2 million for FY2017/18 to a loss of approximately HK$7.8 million for FY2018/19. Such increase in net loss was primary attributable to (i) additional cost on the development of the business in the PRC and the Shenzhen Dental Clinic is still at its early stage of development, hence it has not yet generated profit; (ii) our increase in amount of professional fee incurred for the Acquired Business and to ensure ongoing compliance with relevant rules and regulations; (iii) exchange loss due to the depreciation of Chinese Yuan (iv) change of fair value of contingent consideration receivable; and (v) annual increase in salaries for the staff.

In order to improve our financial performance, our management team will continue to leverage our competitive advantages and competencies (i) further expand our medical network for inviting various kinds of specialists, affiliated clinics and affiliated auxiliary service providers to provide comprehensive and caring services to our customer; (ii) we will through the strategic acquisition to acquire a majority interest in a reputable small dental clinics in the PRC to explore the PRC dental market; and (iii) to grasp any business opportunities to broaden our income stream. At the same time, we will not only to continue streamline our operation flow and manpower to achieve 3E (economy, efficiency and effectiveness) but also to maximise the interest for our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue significantly increased from approximately HK$97.8 million for FY2017/18 to approximately HK$140.8 million for FY2018/19. The following table sets forth a breakdown of the Group's revenue with comparative figure:

	FY2017/18 HK$'000	**FY2018/19** **HK$'000**	%
Medical solutions to contract customers	54,113	**52,271**	**(3.4%)**
Medical services to self-paid patients	20,353	**23,515**	**15.5%**
Dental solutions to contract customers	6,044	**5,532**	**(8.5%)**
Dental services to self-paid patients	17,320	**59,516**	**243.6%**
	97,830	**140,834**	

The revenue of medical solutions to contract customers slightly decreased by approximately 3.4% from approximately HK$54.1 million for FY2017/18 to approximately HK$52.3 million for FY2018/19, which was primarily due to the decrease in the number of visits by patients to our affiliated doctors and affiliated auxiliary services providers.

The revenue of medical services to self-paid patients increased by approximately 15.5% from approximately HK$20.4 million for FY2017/18 to approximately HK$23.5 million for FY2018/19 which was primarily due to the increase in demand from self-paid patients for certain body check up, other testing procedures and vaccination services etc.

The revenue of dental solutions to contract customers also decreased by approximately 8.5% from approximately HK$6.0 million for FY2017/18 to approximately HK$5.5 million for FY2018/19, which was mainly attributable to the decrease in the number of contract customers and individuals for dental solutions services.

In particular, the revenue of dental services to self-paid patients increased significantly by approximately 243.6% from approximately HK$17.3 million for FY2017/18 to approximately HK$59.5 million for FY2018/19 which was primarily due to revenue generated from the Acquired Business and the establishment of the Shenzhen Dental Clinic in June 2018.

Other income

Other income decreased by approximately 32.0% from approximately HK$1.9 million for FY2017/18 to approximately HK$1.3 million for FY2018/19 which was due to a decrease in interest income on loan receivables which were redeemed in November 2017 and July 2018 respectively and bank interest income.

Other losses

Other losses significantly increased from approximately HK$253,000 for FY2017/18 to approximately HK$2.1 million for FY2018/19, which was primarily due to the depreciation of Chinese Yuan and fair value change of contingent consideration receivable.

Medical and dental professional services expenses

Medical and dental professional services expenses primarily comprise fees paid to (i) affiliated doctors and affiliated auxiliary services providers rendered through our MediNet Network; (ii) external dentists engaged by the Group; (iii) laboratories services; and (iv) the Group's doctors and dentists.

The Group's medical and dental professional services expenses increased by approximately 29.6% from approximately HK$48.5 million for FY2017/18 to approximately HK$62.9 million for FY2018/19 which was primarily due to the increase in aggregate amount paid to external and internal dentists of the Acquired Business and laboratories which correlates with the increase in demand from self-paid patients for certain body check ups and other testing procedures.

Staff cost

Staff cost increased by approximately 19.5% from approximately HK$31.7 million for FY2017/18 to approximately HK$37.9 million for FY2018/19. The increase was attributable by (i) the increase in staff costs paid to the Directors; (ii) annual increase in salaries for the staff; (iii) the staff cost paid to the Acquired Business, the Shenzhen Dental clinic and our new DNA Laboratory Centre in Wong Chuk Hang.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately 70.3% from approximately HK$2.0 million for FY2017/18 to approximately HK$3.3 million for FY2018/19, which was primarily due to the purchase of specialized equipment and renovation of the new Dental Clinic in Causeway Bay, the Shenzhen Dental Clinic as well as the DNA Laboratory Centre and the consolidation of depreciation expenses of the Acquired Business.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of medical and dental supplies

Cost of medical and dental supplies significantly increased by approximately 254.4% from approximately HK$3.9 million for FY2017/18 to approximately HK$13.9 million for FY2018/19, which was principally due to the increase in the amount of other medical and dental consumables such as drugs and medicine, vaccination and invisalign clear-aligner treatment for the provision of medical services and dental services to self-paid patients. Such increase was generally in line with the increase in revenue from medical services and dental services to self-paid patients.

Rental expenses

Rental expenses increased by approximately 23.5% from approximately HK$10.2 million for FY2017/18 to approximately HK$12.5 million for FY2018/19, which was mainly due to rental expenses for the DNA Laboratory Centre as well as consolidation of rental expenses of the Acquired Business and the increase in rent for those existing premises with renewed leases.

Other expenses

Other expenses increased by approximately 25.6% from approximately HK$16.4 million for FY2017/18 to approximately HK$20.6 million for FY2018/19, which was mainly due to the combined effect of (i) the increase in cost of other general administrative expenses for the DNA Laboratory Centre and the Shenzhen Dental Clinic; (ii) the consolidation of other expenses of the Acquired Business; and (iii) the increase in the amount of professional fee incurred for the Acquired Business and to ensure ongoing compliance with relevant rules and regulations.

Income tax expense

Income tax credit turned to the tax expenses from approximately HK$474,000 for FY2017/18 to tax expenses approximately HK$1.1 million for FY2018/19. The increase was mainly due to the increase in tax assessable income.

Amortisation of intangible assets

The Group recorded amortisation of intangible asset of an amount of approximately HK$1.2 million for FY2018/19, which was primarily due to the right to use trade names and customer who will continue to visit dental clinic for the dental services of the Acquired Business.

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

Due to the combined effect of the factors mentioned above, we recorded a loss and total comprehensive expenses for FY2018/19 of approximately HK$13.9 million, which represented an increase of approximately HK$1.7 million as compared with FY2017/18 of approximately HK$12.2 million. However, the EBITDA of the Group increased by approximately 30.4% from a loss of approximately HK$11.2 million for FY2017/18 to a loss of approximately HK$7.8 million for FY2018/19.

The loss was primarily attributable to combined effect of (i) the significant increase in revenue of approximately HK$43.0 million for the FY2018/19 which was offset by additional cost incurred on the development of the PRC market which mainly comprises staff cost, operating costs and administrative costs from our representative office and dental clinic in Shenzhen; (ii) the increase in the amount of professional fee incurred for the Acquired Business and to ensure ongoing compliance with relevant rules and regulations; (iii) exchange loss due to the depreciation of Chinese Yuan and fair value change of contingent consideration receivable; and (iv) the increase in staff costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 31 March 2019, the Group had total assets of approximately HK$86.1 million (2018: approximately HK$90.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$32.9 million (2018: approximately HK$23.8 million) and approximately HK$53.3 million (2018: approximately HK$67.2 million), respectively.

The current ratio as at 31 March 2019 was approximately 1.3 times (2018: approximately 3.2 times).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2018/19. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements from time to time.

Foreign exchange exposure

All of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For FY2018/19, the depreciation of Chinese Yuan incurred the exchange loss and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

Capital structure

As at 31 March 2019, the Company's issued share capital was HK$10,400,000 and the number of its ordinary shares was 1,040,000,000 of HK$0.01 each.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK$19.4 million as at 31 March 2019 (31 March 2018: approximately HK$24.7 million). As at 31 March 2019, the Group did not have any capital commitment.

Segment information

Segmental information is presented for the Group as disclosed in note 5 to the consolidated financial statements in this report.

Significant investments held, future plans for material investments and capital assets

On 20 July 2016, the Group entered into a placing letter with Convoy Asset Management Limited, who acts as placing agent in relation to the subscription of the Jun Yang Notes and First Credit Notes (as defined in the announcement of the Company dated 20 July 2016 (the "**Announcement**") in the principal amount of HK$5 million and HK$8 million respectively, which bear an annual interest rate of 8% and 4.5% respectively and both with a term of 2 years, details of which have been discussed in the Announcement.

In November 2017, the Group early redeemed the subscription of First Credit Notes (as defined in the Announcement) in the principal amount of HK$8 million and also redeemed the subscription of Jun Yang Notes (as defined in the Announcement) in the principal amount of HK$5 million in July 2018.

Save as disclosed above, the Group did not have other significant investment held, future plans for material investment and capital assets as at 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposal of subsidiaries, associated and joint ventures

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

Contingent liabilities

As at 31 March 2019, the Group did not have any material contingent liabilities (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had a total of 106 employees, the table below is a breakdown of the number of our employees by functions as at 31 March 2018 and 31 March 2019:

	2018	**2019**
Directors and senior management	9	**9**
Dental Clinics operation:		
— Dentists	9	**8**
— Dental Hygienists	3	**3**
— Dental Nurse	12	**29**
— Other supporting staff	12	**17**
MediNet Centres operation:		
— Doctors	1	**1**
— Nurses	6	**6**
— Other supporting staff	3	**1**
Other supporting staff (Note 1)	24	**20**
PRC operation:		
— Dentists	3	**3**
— Nurses	4	**5**
— Other supporting staff	6	**5**
Total (Note 2)	91	**106**

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

Note 2: The number of employees in each category does not add up to the total number because 1 (2018: 1) of our employees, who was senior management and our dentist was included in both categories "Director and senior management" and "Dentists".

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

The remuneration packages of the Directors are reviewed by the remuneration committee of the Company (the "**Remuneration Committee**") according to the relevant Directors' experience, responsibility, workload and the time devoted to the Group and recommend to the Board from time to time the remuneration and compensation of the Directors and senior management of the Group.

Use of proceeds and future plans

The net proceeds from the Listing on 31 May 2016 (the "**Listing Date**"), after deducting Listing related expenses were approximately HK$47.36 million. The Group has used up the net proceeds from the listing as at 31 March 2019, analysis of the planned amount utilised up to 31 March 2019 is set out below:

	Planned amount utilised up to 31 March 2019 HK$ million	**Actual utilised amount as at 31 March 2019** HK$ million
Expand the operation of MediNet Centre and Dental Clinic in Central, Tsim Sha Tsui and Causeway Bay	14.62	14.62
Payment for consideration of the Acquired Business	32.00	32.00
Expand our MediNet Network	0.37	0.37
General working capital	0.37	0.37
	47.36	47.36

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

Principal risks and uncertainties

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

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

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

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

Board of Directors

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

Executive Directors

Mr. CHAN Chi Wai, Nelson (陳志偉), aged 62, is the chairman of the Board, an executive Director, our compliance officer and one of the controlling shareholders of the Company. He is responsible for the overall business development and financial and strategic planning of the Group. He was appointed as a Director on 20 August 2015 and was re-designated as our executive Director, chairman of the Board and compliance officer on 19 May 2016 for an initial term of 3 years commencing on the Listing Date. He is also a director of all of the subsidiaries of the Company.

Mr. Chan has over 37 years of experience in the corporate medical and dental solutions industry in Hong Kong. Prior to founding the Group in 1994, Mr. Chan had been employed by Bupa Ltd (at which his last position was manager) from 1983 to 1988 and HSBC Medical Insurance Limited (formerly known as Carlingford Medical Insurance Limited) (at which his last position was Medical Insurance Consultant) from 1989 to 1993. Mr. Chan received a Master of Business Administration from Buckinghamshire New University in February 2017 through distance learning. Mr. Chan is the spouse of Ms. Jiang, an executive Director.

Ms. JIANG Jie (姜洁), aged 37, is an executive Director and is principally responsible for our business development and customer relationship management. Ms. Jiang was appointed as a Director on 20 August 2015 and was re-designated as our executive Director on 19 May 2016 for an initial term of 3 years commencing on the Listing Date. She is also a director of all of the subsidiaries of the Company, except for Well Being Dental Services Limited.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Jiang joined the Group in September 2009 and has since then accumulated more than 9 years of experience in the operation of the Group. Since joining our Group, Ms. Jiang has been in charge of our business development and customer relationship management, including but not limited to the liaison with existing and potential customers as well as other business development activities such as our corporate websites operation and the distribution of brochures and pamphlets in our MediNet Centres and Dental Clinics. Ms. Jiang is the spouse of Mr. Chan.

Each of Mr. Chan and Ms. Jiang has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Independent Non-executive Directors

Dr. LIEU Geoffrey Sek Yiu (廖錫堯), 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 Minnestoa 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.

Dr. Lieu has been appointed as an independent non-executive director of Yi Hua Holdings Limited (stock code: 2213) on 31 May 2019.

Mr. LEUNG Po Hon (梁寶漢), aged 55, was appointed as an independent non-executive Director on 19 May 2016. Mr. Leung is currently a practicing accountant. 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 has more than 20 years of experience in accounting, auditing and financial management.

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

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

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

Company	Stock code	Position previously held by Mr. Leung	Appointment date	Resignation date
China Ding Yi Feng International Holdings Limited (Formerly known as China Investment Fund International Holdings Limited)	612	Independent non-executive director	1 May 2015	9 May 2016
Success Dragon International Holdings Limited	1182	Independent non-executive director	16 July 2015	29 August 2016
China Graphene Group Limited	63	Independent non-executive director	6 November 2015	9 November 2017

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

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

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

Company	Stock code	Position currently held by Mr. Wong	Appointment date
Qinqin Foodstuffs Group (Cayman) Company Limited	1583	Executive director	22 March 2016
Vertical International Holdings Limited	8375	Independent non-executive director	24 October 2017

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

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Senior management

The following are the senior management team of the Group:

Ms. LI Christine (李依皓), aged 45, is our general manager and is primarily responsible for the overall management of the Group's day-to-day operations and the implementation of our business strategies. She joined our Group in August 1995 and has since then accumulated more than 20 years of experience in the operation of the Group. Ms Li has received a degree of Bachelor of Social Science from the Chinese University of Hong Kong in December 1995. She has not held any directorships in any public listed companies in the past three years.

Ms. NGAN Pui Shan, Jane (顏佩珊), aged 44, is our financial controller. She is primarily responsible for our financial reporting, financial planning, treasury, financial control and overall company secretarial matters. She joined the Group in September 1996 and has since then accumulated more than 20 years of experience in the Group's operation. Ms. Ngan received a Bachelor of Arts (Honours) degree in Accounting from Edinburgh Napier University in Scotland in April 2004 through distance learning. She also received a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2015. She has been a member of the Association of Chartered Certified Accountants since May 2012 and a member of the Hong Kong Institute of Chartered Secretaries since December 2016. She has not held any directorships in any public listed companies in the past three years.

Mr. WONG Siu Kay (黃兆基), aged 48, is one of our dentists and a director of Well Being Dental. He is primarily responsible for the operation of our dental clinics and the provision of dental services. He joined the Group in July 1997 and has since then accumulated more than 20 years of experience in the operation of the Group. He has been a Registered Dental Practitioner since August 1996. Mr. Wong obtained a degree of Bachelor of Dental Surgery from The University of Hong Kong in November 1996. He has not held any directorships in any public listed companies in the past three years.

Company Secretary

Mr. LEUNG Man Fai (梁文輝), aged 62, was appointed as the company secretary of the Company (the "**Company Secretary**") on 22 November 2015. Mr. Leung graduated from Manchester Polytechnic, the United Kingdom with a degree of Bachelor of Arts in Accounting and Finance awarded by the Council for National Academic Awards of the United Kingdom in July 1988. He also obtained a degree of Master of Commerce in Accounting from the University of New South Wales in May 1990. Mr. Leung has been the director of IBC Certified Public Accountants Limited since August 2008 up to the present. He was the executive director, finance manager and company secretary of Lerado Group (Holding) Company Limited (which is listed on the Stock Exchange with stock code 1225) from July 1995 to August 2014. He was previously employed by Chewy International Foods Ltd. as a financial controller from January 1993 to January 1995. Mr. Leung has been a member of the HKICPA since June 1991.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Group for the FY2018/19.

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

INTRODUCTION

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

BOARD OF DIRECTORS

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Composition

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

Executive Directors

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

Independent non-executive Directors

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

During the FY2018/19, there was no change in the composition of the Board.

The biographical details of the Directors and their relationship (if any) are set out in the section headed "Directors and Senior Management Profile" on pages 11 to 14 of this report.

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

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

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

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

CORPORATE GOVERNANCE REPORT

Appointment and re-election of Directors

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the FY2018/19.

Board Meeting, General Meeting and Procedures

Attendance and Number of Board meetings

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

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

	Number of meetings attended/held				
Director	General meeting	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors					
Mr. Chan Chi Wai, Nelson	1/1	6/6		1/1	1/1
Ms. Jiang Jie	0/1	3/6			
Independent non-executive Directors					
Dr. Lieu Geoffrey Sek Yiu	1/1	5/6	2/2		
Mr. Leung Po Hon	1/1	6/6	2/2	1/1	1/1
Mr. Wong Wai Leung	1/1	6/6	2/2	1/1	1/1

Practices and Guidelines of Meetings

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

BOARD COMMITTEES

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

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

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

AUDIT COMMITTEE

The Company established an Audit Committee on 19 May 2016 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are (among other things) to review and supervise the financial control, internal control, nominate and monitor external auditors and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

The Audit Committee comprises the three independent non-executive Directors, namely Dr. Lieu Geoffrey Sek Yiu, Mr. Leung Po Hon and Mr. Wong Wai Leung. Mr. Leung Po Hon currently serves as the chairman of the Audit Committee.

During the FY2018/19, the Audit Committee held 2 meetings to consider and approve the following:

(i) to review the quarterly, half-year and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting;

(ii) to discuss the effectiveness of the internal control systems throughout the Group, including financial, operational and compliance controls, and risk management; and

(iii) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 19 May 2016 and has formulated its written terms of reference by reference to the CG Code.

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

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

During the FY2018/19, the Nomination Committee held 1 meeting to consider and approve the following:

(i) to review the structure, size and composition of the Board;

(ii) to assess the independence of independent non-executive Directors; and

(iii) to re-elect Mr. Chan Chi Wai Nelson, Mr. Leung Po Hon and Mr. Wong Wai Leung as Directors at the 2018 annual general meeting of the Company.

REMUNERATION COMMITTEE

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

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

For the FY2018/19, the Remuneration Committee held 1 meeting to consider and approve the remuneration of the Directors and senior management.

Remuneration paid to senior management of the Company for the FY2018/19 by band are as follows:

Remuneration band (HK$)	Number of individuals
HKD500,001–HKD1,000,000	7
HKD1,000,001–HKD1,500,000	1
HKD1,500,001–HKD2,000,000	1

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

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

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

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

COMPANY SECRETARY

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

Mr. Leung Man Fai undertook totally not less than 15 hours of relevant professional training requirements under Rule 5.15 of the GEM Listing Rules during FY2018/2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the financial statements for the FY2018/19.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining the internal control and risk management systems of the Group and for reviewing their effectiveness. The Board is committed to implementing effective and sound internal control and risk management systems to safeguard the interests of shareholders and the Group's assets. As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget. Moreover, the Board has employed an independent firm of professionals, Corporated Governance Professionals Limited ("**CGP**"), to conduct an annual review of the systems of internal control and risk management of the Group which covered all relevant financial, operational and compliance controls within an established framework.

The Group's internal control and risk management systems are designed in consideration of the nature of business as well as the organisation structure of the Group as a whole. The systems are designed to manage rather than eliminate the risk of failure in operational systems and to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems are further designed to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

An internal control review report and an enterprise risk assessment report issued by CGP were tabled before the members of the Audit Committee during the Audit Committee meeting held on 24 June 2019. The principal purposes of the internal control review and the enterprise risk assessment carried out by CGP were to obtain sufficient knowledge and understanding about the attitude, awareness and actions of management and the Board concerning the factors of the control environment and risk management mechanism. Based on the findings and comments by CGP and the Audit Committee, the Board considered the internal control and risk management systems effective and adequate and was of the opinion that there were no significant areas of concern that might affect the Company's shareholders.

The Company will continue to engage external independent professionals to review the Group's systems of internal control and risk management annually and further enhance the Group's systems as appropriate.

The Group has established internal control procedures which aim at providing the directors and relevant employees with guidelines on assessing, reporting and disseminating inside information in addition to keeping confidentiality of the inside information. Inside information is disseminated to relevant persons on a need-to-know basis, and the Group reviews the existing policy and practice from time to time to ensure full compliance with the regulatory requirements.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

ROLE OF COMPLIANCE OFFICER

Mr. Chan Chi Wai Nelson is the chairman of the Board, an executive Director and the compliance officer of the Company. His biographical details are set out on page 11 of this report.

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

EXTERNAL AUDITOR'S REMUNERATION

During the FY2018/19, the Company engaged Deloitte Touche Tohmatsu as the external auditors. Apart from providing audit services, Deloitte Touche Tohmatsu also provided non-audit services. The fees in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the FY2018/19 approximately amounted to HK$800,000 and HK$353,000 respectively. The reporting responsibilities of Deloitte Touche Tohmatsu are set out in the Independent Auditor's Report on page 52 to 56 of this report.

DIVIDEND POLICY

The Company has adopted a dividend policy with effect from 1 January 2019. Pursuant to the dividend policy, the Board shall take into account, inter alia, the following factors in deciding whether to propose a dividend and in determining the dividend amount:

(i) the operating results and financial condition of the Group;

(ii) the Group's liquidity position;

(iii) the Group's capital requirement for business operations and future development;

(iv) the retained earnings and distributable reserves of the Group;

(v) the shareholders' expectation and industry's norm;

(vi) the general market conditions; and

(vii) any other factors that the Board may consider appropriate.

Declaration and payment of dividend by the Company is also subject to the laws of Cayman, the Byelaws and any applicable laws, rules and regulations.

The dividend policy will continue to be reviewed from time to time by the Board and there can be no assurance that any dividend will be proposed or declared in any given period.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

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

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

Right to put forward proposals at general meeting

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

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

Right to make enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

During the FY2018/19, there had been no significant change in the Company's constitutional documents. The Articles of Association are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

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

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

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

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

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of corporate medical and dental solutions to contract customers through the design and administration of tailored medical and/or dental benefits plans to provide the provision of different combinations of medical and/or dental services through the MediNet Network and/or our own operated MediNet Centres and Dental Clinics.

BUSINESS REVIEW

A review of the business of the Group during FY2018/19 with an analysis of the Group's performance using financial key performance indicators and outlook are provided in "Management Discussion and Analysis" on page 5. Description of the risk management and internal control can be found in "Corporate Governance Report" on Page 21.

FINANCIAL REVIEW

A summary of the published results and of the assets and liability of the Group for the last five years is set out on page 118.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimize its impact on the environmental so we encourage our staff not only to save water and electricity consumption and also recycle of office supplies and other materials. The environmental policies and performance are provided in "Environmental, Social and Governance Report" on page 33 to page 51.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is aware of the importance of complying with the relevant laws, regulations and code of professional conduct therefore the Company has established and operated according to the provisions and codes. During the FY2018/19, as far as the Directors are aware, the Company is in compliance with the Securities and Futures Ordinance, the GEM Listing Rules and other relevant codes and regulations.

RELATIONSHIPS WITH STAKEHOLDERS

The Group understands that it is important to maintain good relationship with its employees, customers, suppliers, governments and business associates to fulfil its long-term goals and development. To enhance its competitiveness, the Group aims at delivering high quality services to its customers constantly and to continue establishing a caring environment to employees and emphasis the personal development of its employees. During the FY2018/19, there was no material or significant dispute between the Group and its stakeholders.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties involved in the business operations of the Group may affect the Group's financial conditions or growth prospects. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders. For details, please refer to the section headed "Management discussion and analysis — Principal risks and uncertainties" in this report.

RESULTS AND APPROPRIATIONS

The Group's financial performance for the FY2018/19 is set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this report and the financial position of the Group as at 31 March 2019 are set out in the consolidated statement of financial position on page 58 of this report.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting will be held on 12 August 2019. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from 7 August 2019 to 12 August 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from Thursday, 11 July 2019) not later than 4:30 p.m. on 6 August 2019.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2019, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

GOING CONCERN

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the FY2018/19 are set out in note 13 to the consolidated financial statements.

BANK BORROWINGS

As at 31 March 2019, we did not have any short-term or long-term bank borrowings.

SHARE CAPITAL

Details of movements in the Company's share capital during the FY2018/19 are set out in note 23 to the consolidated financial statements in this report.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 60 of the consolidated statement of changes in equity of this report.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution to shareholders comprising share premium plus accumulated losses, amounted to approximately HK$42.8 million.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the FY2018/19 and up to the date of this report were:

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

DONATIONS

During the FY2018/19, the Group made HK$24,000 charitable donations.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place since the FY2018/19.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2018/19, sales to the Group's five largest customers accounted for approximately 22.8% of total sales and sales to the largest customer included therein amounted to approximately 10.2% of total sales. The Group's largest supplier and five largest suppliers accounted for approximately 15.4% and 31.0% of the Group's total purchases respectively.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the FY2018/19.

CHARGE ON ASSETS

As at 31 March 2019, the Group had no charge of assets (as at 31 March 2018: Nil).

REPORT OF THE DIRECTORS

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

During the year, the Group has carried transactions with its related party as detailed in note 25(i) to the consolidated financial statements. Save for as disclosed above, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party or were parties and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the FY2018/19.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the FY2018/19.

CONFIRMATION OF INDEPENDENCE

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the FY2018/19.

PERMITTED INDEMNITY PROVISION

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

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

As at 31 March 2019, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of the Company

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

Notes:

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

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

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

REPORT OF THE DIRECTORS

(b) Long position in the shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity/ Nature of interest	Number of shares held (Note 1)	Percentage of issued share capital
Medinet International Limited (Note 2)	Mr. Chan	Beneficial owner	5 (L)	100%
Medinet International Limited (Note 2)	Ms. Jiang	Interest of spouse (Note 3)	5 (L)	100%

Notes:

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

2. The entire issued share capital of Medinet International Limited is legally and beneficially owned by Mr. Chan.

3. Ms. Jiang is the spouse of Mr. Chan. Ms. Jiang is deemed to be interested in all the shares in which Mr. Chan is interested under Part XV of the SFO.

Save as disclosed above, as at 31 March 2019, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2019, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interest or short positions in the shares or underlying shares of the Company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Approximate percentage of the Company's issued share capital
Medinet International Limited	Beneficial owner (Note 2)	585,000,000 (L)	56.25%
NSD Capital Limited ("**NSD Capital**")	Beneficial owner (Note 3)	195,000,000 (L)	18.75%
Convoy Asset Management Limited ("**CAM**")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%
Favour Sino Holdings Limited ("**Favour Sino**")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%
Convoy (BVI) Limited ("**Convoy (BVI)**")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%
Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) ("**Convoy Global**")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%

Notes:

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

2. Medinet International Limited is wholly and beneficially owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in the shares of the Company held by Medinet International Limited under Part XV of SFO. Mr. Chan is the sole director of Medinet International Limited.

3. NSD Capital is an exempted company incorporated in the Cayman Island with limited liability, the management shares of which are wholly owned by CAM, a wholly-owned subsidiary of Favour Sino. Favour Sino is a wholly-owned subsidiary of Convoy (BVI), which is a wholly-owned subsidiary of Convoy Global (a company listed on the Main Board of the Stock Exchange (stock code: 1019)). Therefore, each of CAM, Favour Sino, Convoy (BVI) and Convoy Global is deemed to be interested in the Shares held by NSD Capital under the SFO.

Save as disclosed above, as at 31 March 2019, none of the substantial shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE GEM LISTING RULES

Details of the related party transactions undertaken in the normal course of business are provided under note 25 to the consolidated financial statements, and none of which constitutes a discloseable connected transaction or continuing connected transaction as defined under Chapter 20 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

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

During the FY2018/19, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

A full corporate governance report is set out on pages 15 to 24 of this report.

PRE-EMPTIVE RIGHTS

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

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Messis Capital Limited, as at 31 March 2019, save for the compliance adviser agreement entered into between the Company and Messis Capital Limited, neither Messis Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIVIDEND

The Board does not recommend the payment of any dividend for the FY2018/19 (FY2017/18: Nil).

AUDITOR

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

On behalf of the Board
Chan Chi Wai, Nelson
Chairman

Hong Kong, 24 June 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Report Profile

MediNet Group Limited (hereafter, the "**Company**", "**we**" or "**us**") and its subsidiaries (collectively known as the "**Group**") are pleased to present our Environmental, Social and Governance ("**ESG**") Report. The content of this Report herein focuses on providing an overview of the ESG performance of our major operations for the year from 1 April 2018 to 31 March 2019 (the "**Reporting Period**").

The principal activities of the Group are the provision of corporate medical and dental solutions to contract customers through the design and administration of tailored medical and/or dental benefits plans to provide the provision of different combinations of medical and/or dental services through the MediNet Network and/or our own operated medical centres ("**MediNet Centres**") and dental clinics ("**Dental Clinics**").

Reporting Period and Scope

Unless otherwise stated, this Report covers the following:

(i) MediNet Centres located in Central and Tsim Sha Tsui;

(ii) Dental Clinics located in Causeway Bay, Central, Cheung Sha Wan, Kwun Tong, Mongkok and Tsim Sha Tsui; and

(iii) The head office located in North Point.

During this Reporting Period, there were some material ESG issues which may have a significant impact on:

- The medical and/or dental industry;
- The current or future environment or society;
- Our financial performance/business operations; and/or
- Our stakeholders' interests and their assessments, decisions and actions.

This Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 20 to the GEM Listing Rules of The Stock Exchange of Hong Kong Limited ("**HKEX**").

Feedback

We set high standards for transparency and work hard to live up with our stakeholders' expectations. For details in relation to our financial performance and corporate governance during the Reporting Period, please visit our website: http://www.medinetgroup.com/web/en/index.php. If you have any questions or comments, please send us your views via mail at 16/F, 101 King's Road, North Point, Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Approach

The Group is committed to working towards sustainability and understands the importance of sustainable development on business and community. The Group pays close attention to the impact of our daily operations on the environment and society in which we operate our business, and aims to set an example for the community. We look at issues that may have a reputational impact on, or may pose a risk to, the Group in the short-, medium- or long- term.

When we operate our business, we strive to strike a balance among the interests of all stakeholders, the economy, the environment, the society and corporate governance. We actively develop opportunities with a focus on work ethic to ensure continuous success and growth that would benefit our suppliers, consumers and the environment as a whole.

We believe that the success of the Group is based not only on the performance of our operations and activities, but also based upon our responsibility and commitment to our employees, suppliers, customers, the community and the environment. We expect greater challenges to come, such as the increased demand for higher standards of waste treatment is expected to be imposed by regulators. The Group has established various environmental and social policies in order to support the Group's sustainable growth. With the thorough understanding of the ESG risks and opportunities, we will better position ourselves in allocating our resources to diminish and recycle different kinds of waste.

Our Stakeholders

As a medical service provider, we are an integral part of the society and play an important role in regard to the lives of people in Hong Kong. Therefore, we conduct our business in a responsible and sustainable manner, as we value the well-being of our stakeholders.

We have adopted a proactive approach in stakeholders' engagement. We aim to review our stakeholder engagement plan on a regular basis to ensure that all of our stakeholders are well informed about our key issues and concerns of our environmental and social aspects. Our identified stakeholders and the means for communication and responses are listed below.

Employees
- Training and seminars
- Face to face meetings
- Internal memos
- Employees suggestion box

HKEX
- Meetings
- Training
- Roadshows
- Workshops
- Programs

Investors
- Seminars and interviews
- Financial reports
- Operational reports for investors, media and analysis

Government
- Interaction and visits
- Tax returns
- Government inspections

Customers
- Annual customer survey
- Clinic visits
- Customer hotline

Media & Public
- Newsletter on the Group's website

Communities & NGOs
- Donation box
- Employee voluntary activities
- Public event

Suppliers
- Face to face meetings
- Product assessments
- Annual supplier assessment

ENVIRONMENT

Overview

We manage our operations in an environmentally and socially responsible manner. We understand that a healthy environment depends on us and we should set a good example for society.

The Group is committed to protecting and developing sustainability, minimizing adverse impact on the environment by promoting and adopting a set of management policies and measures. The Group understands that our use of electricity and water, and generation of clinical wastes from our business operations consume natural resources and pose risks to the public health and the environment. Therefore, electricity and water saving initiatives are promoted and implemented in our workplace, and clinical wastes are treated cautiously.

During the Reporting Period, we complied with all relevant laws and regulations to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on us.

Emissions

As we provide medical and dental solutions to our customers, we do not own or control any stationary or mobile combustion sources, and thus, there is no significant air or water pollutants discharges into water and land during our daily operations. Therefore, no data with regard to air emission were recorded during the Reporting Period.

Yet, greenhouse gases emissions are mainly from the consumption of purchased electricity to support the operations of our offices and clinics, such as the lighting and magnifiers, air-conditioning system ad sterilization system. The comparative statistics of greenhouse gas emissions recorded between current and previous reporting periods are detailed below.

Scope of Greenhouse Gas Emission	Emission sources	Emission (in tonnes of CO_2e) 2018/19	Emission (in tonnes of CO_2e) 2017/18	Emission per floor area[1] (tonnes of CO_2/sq.m.) 2018/19	Emission per floor area[1] (tonnes of CO_2/sq.m.) 2017/18
Scope 1 Direct Emission	N/A	N/A	N/A	N/A	N/A
Scope 2 Indirect Emission	Purchased Electricity	149.44[2]	108.20[3]	0.11	0.08
Scope 3 Other Indirect Emission	Paper consumption	10.22	10.15	0.01	0.01

1 As all electricity usage is based on our clinics and office as defined in the section of "Reporting Period and Scope"; thus, the floor area refers to that of our clinics and office accordingly.

2 For Scope 2 greenhouse gas emission (indirect emission from consumption of purchased electricity), we refer to the Sustainability Reports published by HK Electric and CLP, the carbon dioxide equivalent emissions intensity of electricity sold by HK Electric and CLP is 0.8 and 0.51 respectively (For the year of 2017–2018).

3 For Scope 2 greenhouse gas emission (indirect emission from consumption of purchased electricity), we refer to the Sustainability Reports published by HK Electric and CLP, the carbon dioxide equivalent emissions intensity of electricity sold by HK Electric and CLP is 0.79 and 0.51 respectively (For the year of 2018 to 2019).

It is the Group's objective to reduce energy consumption and emissions. We understand that energy consumption is equivalent to greenhouse gas emission to a certain extent. Reducing energy consumption helps to manage our carbon footprint. The Group adopts green practices in our operations. For the details of energy efficient practices, please refer to the section of "ENERGY EFFICIENCY".

Waste Management

During the Reporting Period, we complied with all relevant laws and regulations that have a significant impact on us relating to the management of clinical waste, including but not limited to "Waste Disposal Ordinance (Chapter 354)", "Hazardous Chemicals Control Ordinance" and the "Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O)" in Hong Kong, which require clinic wastes to be properly disposed of and collected. Our employees follow standard procedures and guidelines to dispose of the wastes produced and put them into specific containers which are carefully coded with defined colours, separately sealed with ties and do not exceed 5 kg weight on any occasion. To ensure that we comply with the relevant laws and regulations, we have engaged a qualified waste disposal and recycling company licensed by the Environmental Protection Department to handle disposal of hazardous wastes, including expired and unwanted pharmaceutical products.

We have established an internal policy that aims to ensure safe disposal of hazardous substances and waste. The Group regularly disposes different groups of wastes, e.g. Group 1 (used or contaminated sharps), Group 3 (human and animal tissues), Group 5 (dressings) and Group 6 (other wastes) of clinical waste as defined in the Waste Disposal Ordinance (Chapter 354).

All used syringes, needles, cartridges, ampoules and other sharp instruments are stored in a special sharp container in each clinic. Throughout the Reporting Period, we have approximately produced 143 kilograms of clinical waste in total, on average, 17.88 kilograms of clinical waste per MediNet Centre/Dental Clinic.

When the conventional X-ray radiography is applied, X-ray developer is used and as a result, chemical waste (spent alkaline) is generated. All the used X-ray developer is stored in a separate plastic container and collected by approved waste collector, which is authorized by Environmental Protection Department. Throughout the Reporting Period, we have approximately produced 34.6 litres of chemical waste in total, on average, 5.77 litres of chemical waste per dental clinics. The production of chemical waste has significantly reduced from 2018, 180 litres of chemical waste in total, on average 30 of chemical waste per dental clinics, as we shifted from traditional X-ray to digital X-ray.

The comparative statistics of clinical waste and chemical waste recorded between current and previous reporting periods are detailed below.

	2018/19	2017/18
Clinical Waste (in kg)	143	106
Chemical Waste (in litre)	34.60	180

The major non-hazardous waste produced by our business activities is paper consumed for administrative purposes. We encourage our employees to reduce paper consumption whenever possible, and work towards a paperless environment.

Year ended 31 March 2019	2018/19		2017/18	
	Copier paper	Letter-headed	Copier paper	Letter-headed
Weight (in tonnes)	1.70	0.43	1.59	0.53
Intensity (tonnes/sq.m. floor area[4])	0.0012	0.0003	0.0011	0.0004

To reduce the generation of waste, we are committed to reducing the use of copier paper for internal administrative work. The following is the measures adopted during our daily operations:

- Double-sided printing is set as the default settings on computers, single-sided printing has to be manually selected;
- For any papers that have been used for single-sided printing, they should be reused when there is no confidential information on the printed side of the paper; and
- Staff members are encouraged to circulate documents through electronic means such as email or encrypted universal serial bus ("**USB**").

Use of Resources

Environmental protection is a key focus of the Group. We are committed to upholding high environmental standards to fulfil relevant requirements under applicable laws and ordinances in our daily operations. We also adopt a responsible approach to ensure good environmental and human health.

The Group understands that responsible use of energy is more than just consuming less energy. It also means that to make the most from the energy we consume, whilst delivering safe and quality services to our consumers. We manage and reduce electricity and water usage by better planning and execution with an aim to minimize adverse impacts on the environment.

The Group is not involved in any manufacturing activities. Hence, the impact on the environment and natural resources is insignificant.

[4] As paper is used in our clinics and office as defined in the section of "Reporting Period and Scope"; thus, the floor area refers to that section accordingly.

ENERGY EFFICIENCY

As mentioned, electricity is mainly consumed for the operations of our offices and clinics, such as the lighting and magnifiers, air-conditioning system and sterilization system. The following shows the comparative figures of electricity consumption between the current and previous reporting periods.

Year ended 31 March 2019	2018/19	2017/18
Electricity consumption (in kWh)	229.027.20	166,890.00
Intensity (kWh/sq.m. floor area[5])	135.88	120.22
Intensity (kWh/number of employees)	2,899.08	2,112.53

Due to the acquisition of two new clinics, the electricity consumption figure has increased significant from 166,980 kWh to 229,027 kWh.

We encourage our staff members to save electricity at the workplace. We inform our staff members to turn off the lights during lunch hours and after office hours, so that lights are only on when it is necessary. Moreover, all electrical appliances should be off when they are not in use. Written notices such as "Save Energy" are put on the walls in the working area to remind our staff members on resources saving. Indoor temperature is maintained at 24 degrees Celsius or above to reduce unnecessary use of energy.

Water Usage

As our daily operations do not involve production, the water usage is relatively low as compared to manufacturing companies, the existing supply of water meets our daily operational needs for the purpose of domestic use and we do not have any issue in sourcing water. However, due to the expansion of our business, there is an increase of the water usage and the following shows the figures we recorded for the reporting period.

Year ended 31 March 2019	2019
Total consumption (cubic meters)	1,129.99
Consumption per floor area (cubic meters/sq.m. floor area)	0.67

We have adopted a wide range of measures to lessen the use of water, including regular checking on water taps and pipes to avoid unnecessary leakage, installation of water-efficient fittings, and promotion of the awareness of water scarcity issues among our employees in order for them to use water wisely.

Medical Packaging

To reduce the carbon footprint and contribute to save the planet, the Group encourages its customers to minimize the usage of plastic bags. We suggest our customers to bring their own bags. For the packaging materials we use, the majority of them are recyclable or biodegradable.

5 As all electricity usage is based on our clinics and office as defined in the section of "Reporting Period and Scope"; thus, the floor area refers to that section accordingly.

EMPLOYMENT

During the Reporting Period, the Group strictly complied with the relevant laws and regulations in Hong Kong that have a significant impact on us, including but not limited to, "Employment Ordinance", the "Minimum Wage Ordinance", and the "Employees' Compensation Ordinance" in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

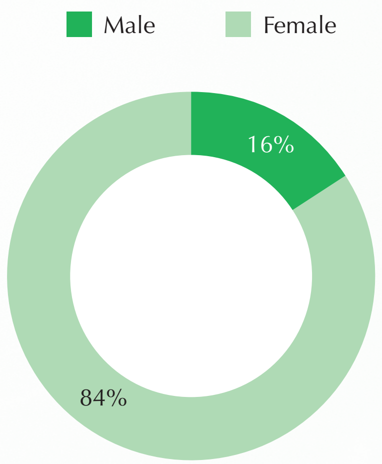
We see our employees as the most valuable assets of the Group, and focus our efforts on providing a safe and enjoyable working environment for them. The objective of Human Resources Department is to reward and recognize outstanding employees by providing competitive remuneration packages with basic salary, and to promote career development and progression within the Group by providing adequate training and opportunities.

As at 31 March 2019, the employee profiles by gender, age, rank and geographical location are shown as follows:

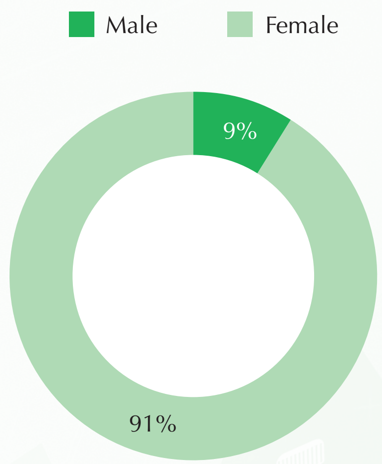
	2018/19	2017/18
Total workforce	106	91
Breakdowns by gender		
Female	87	73
Male	19	18
Breakdowns by age		
< 25	16	8
25–29	17	12
30–39	22	30
40–49	34	28
> 50	17	13
Breakdowns by rank		
Top management	9	9
Middle management	35	28
General staff	62	54
Breakdowns by geographical location		
Hong Kong	93	78
PRC	13	13

The comparative figures between current and previous reporting periods on the staff turnover rate by gender, age and geographical location are shown as follows:

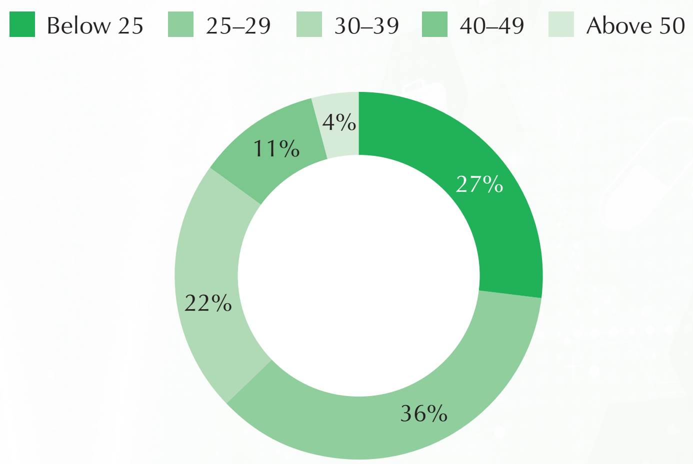
Employee Turnover by Gender 2017/18



Employee Turnover by Gender 2018/19



Employee Turnover by Age 2018/19



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HEALTH AND SAFETY

The Group is subject to the workplace laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards in Hong Kong.

Management makes great effort in strengthening the Group's occupational health and safety performance to protect employees from hazards. For example, our doctors, dentists and nurses wear gloves, surgical masks, protective goggles and gowns to prevent any infections. In case of injuries or accidents, the Group will make corresponding medical arrangement for the employees concerned.

Dosimeters are provided to our dentists and dental nurses to measure and monitor the exposure of ionizing radiation and all the personnel are alerted if the dose rate thresholds are exceeded.

Apart from employees' compensation insurance, the Group provides other benefits to its employees, such as training and education on a regular basis. We strive to provide a comfortable and safe environment to our employees, customers and business partners.

During the Reporting Period, no case of fatality and work injury case in the workplace and no lost day due to work injury was reported.

DEVELOPMENT AND TRAINING

The Group offers a wide range of training courses and development support to improve the employees' long-term career growth, development and advancement prospects.

The Group has implemented a "Training Procedure" to facilitate development of our employees' potential. We maintain a schedule for training courses which are planned in advance. In determination of the training schedule, we consider the feedback provided by our employees.

The employee development and training policies adopted by the Group are as follows:

- Newly recruited employees are required to attend an orientation training program, which covers corporate culture, business profiles, operation policies and procedures;

- A designated senior manager is responsible for checking the quality of service provided by the staff members at the reception and providing the internal training, which ensures that all staff members are aware how to use electronic devices (i.e. computer, printer, etc.) and internal customers' filing system;

- Nurses are required to attend regular and ad hoc internal training courses that are necessary to discharge their duties at work, including, but not limited to, product knowledge, customer services and new legislations and regulations relevant to our business operations;

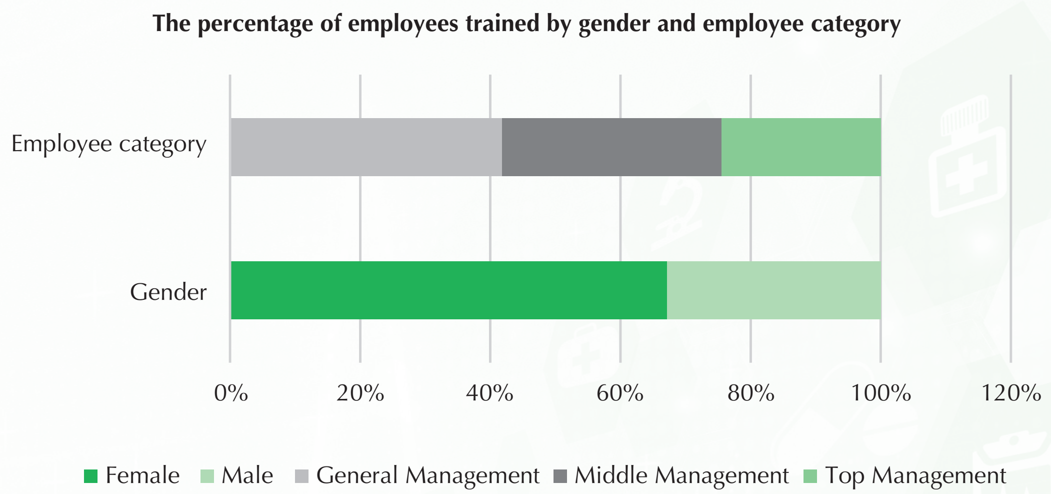
- Sponsorships are offered to doctors and dentists for them to attend external training courses regarding new techniques, tools, and technologies, etc. that are relevant to our business.

The following shows the comparative figures in relation to training between current and previous Reporting Periods:

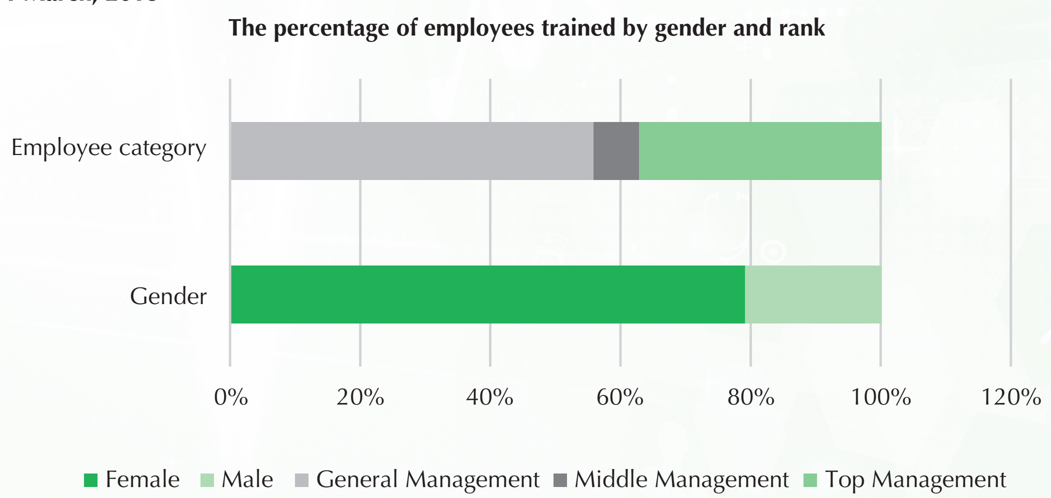
Average training hours completed
By gender

	2018/19	2017/18
Female	5.59	6.82
Male	4.63	3.11
By rank		
Top management	3.24	4.44
Middle management	6.33	6.67
General staff	6.71	7.04

Year ended 31 March, 2019



Year ended 31 March, 2018



LABOUR STANDARDS

During the Reporting Period, we complied with all relevant laws and regulations that have a significant impact on us such as "Employment Ordinance" in Hong Kong. The Group strictly prohibits any recruitment of child and forced labour and ensures that the employment agreements signed with our employees are on a fair, equal, voluntary and mutually agreed basis.

We recruit new doctors and dentists based on their qualifications, experience, reputation, specialized area of study or practice, level of dedication, previous compliance records and whether they can fit into our corporate culture. We also place great emphasis on training and retention of our professional team members. All our doctors have practising licences and certificates.

The Group is well aware that child and forced labour violates fundamental human rights and so, it prohibits the use of child or forced labour. During the staff recruitment process, responsible staff members collect ID documents from the candidates to ensure that their age meets the requirements as stated in the Employment Ordinance. The Group only executes the requirements stipulated in the standard employment agreements and does not use any unlawful or unfair means to restrict the Staff benefits enjoyed by the employees. Employees who are in breach of rules, or commit serious dereliction of duty, malpractice or criminal offence are immediately dismissed.

During the Reporting Period, no case related to child or forced labour was found.

The Group constantly monitors its employees' performance. Newly recruited employees are admitted as permanent employees after successful completion of a 3-month probation period. A minimum 10-days annual leave which exceeds the minimum leave entitlement specified by the local law is granted to all permanent employees. We also offer our permanent employees with medical and dental schemes as well as inpatient insurance.

SUPPLY CHAIN MANAGEMENT

Our suppliers primarily include distributors of orthodontic appliances, pharmaceutical and medical consumables. During the Reporting Period, we have 73 suppliers which are all primarily located in Hong Kong.

The Group is committed to providing high quality and services to its customers, supported by a strict supply chain management system which is subject to regular assessments as for the environmental and social risks. Suppliers are urged to take measures to reduce their environmental and social risks.

The Group has developed a "New Supplier and Subcontractor Evaluation Procedure" and a "Purchase and Payment Policy and Procedure" to evaluate its new suppliers, and in this respect a "non-conforming report" is prepared to record failure on the part of our existing suppliers. In particular, Environmental- friendly drugs at high quality standard would be more favorable and preferable so as to promote environmental protection along its supply chain. The Group also has a "Purchasing Control Procedure" and an "Equipment Management Procedure" in place in order to monitor the quality of products that clinics purchased from the suppliers.

The evaluation team is responsible for monitoring the quality of suppliers' work. In selecting pharmaceutical drugs and other suppliers, we perform assessment on the potential suppliers, including past history of the suppliers' quality, quantity, time of delivery, source of the products, price and suppliers' reputation in the industry. Suppliers should cooperate in a fair, honest and responsible manner. Renewal of suppliers' contracts is subject to satisfactory results upon review of their sales performance during the contract period.

PRODUCT AND SERVICE RESPONSIBILITY

The Group has implemented a "Work Instruction Control Procedure" which covers standard procedures of the provision of service and products. During the Reporting Period, the Group complied with various regulations relevant to the operation process of the business areas such as health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

According to the "Purchasing Control Procedure", the clinic in charges are responsible for consolidating requests from the doctors and dentists so as to evaluate the materials needs to support the clinical operations, and submit the "Dental/Clinic Material Order Information" to the Head Nurse for a bulk ordering. We purchase high quality drugs and medicines from approved suppliers only. Clinic members will undergo incoming material inspection in accordance with our "Material Handling Procedure" to ensure the quality of the medical consumables. For any defective products received, we will request a recall.

When a new material, instrument, equipment or drug is launched in the market that could show improvement in results, effectiveness or efficiency, and save costs, according to the "New Material, Instrument, Equipment, Drug Procedure", doctors/dentists can establish an evaluation team to do a research about the product. After completion of the evaluation, the results are recorded on the "Sample Request and Evaluation Form". Any newly accepted item is registered in the approval list and the Head Nurse can proceed with the purchases.

Pharmaceuticals are handled with special precautions. The Group has specific standards for pharmaceuticals storage in different compartments and the labelling of packages. Topical medications and dangerous drugs are stored separately from general medications. Dangerous drugs are handled in accordance to the "Dangerous Drugs Ordinance (Cap. 134)" in Hong Kong.

According to the "Prescription and Dispensary of Drug Procedure", the doctors/dentists prescribe medication according to patients' history and needs. Our nurses are responsible for checking the expiry dates and visual condition of the drugs and medicines to ensure that product quality is maintained. In case if any defect is found, a report is filed to the Head Nurse who will then inform the Head office and return the defective products to the suppliers.

The information about the medicines and drugs is passed to the doctors/dentists for benefits of the patient. A nurse labels the package of the drugs with the drug name, dosage, date and any particulars according to the dentists/doctors' prescription for the patients. Receptionist provides patients with information about the drug dosage and particulars only after obtaining approval from the doctors/dentists.

In addition, our customers' information is stored in a tailor-made IT system to protect our patients' personal information, and different authority access levels are created in order to assure confidentiality of such information.

During the Reporting Period, we complied with the provisions of the "Personal Data (Privacy) Ordinance" in collecting, processing and using the customers' personal data. Furthermore, contracts, entered into with our patients, also stipulate confidential obligations regarding the customer's personal information and the information cannot be used for any purposes other than stipulated in the contracts concerned. Moreover, we conduct related employee training on a regular basis to keep customers' privacy and information safe.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group strictly complied with various laws, regulations, rules and procedural standards, and non-compliance related to quality and safety to our products/services was not noted.

We respect the rights of other companies' intellectual property and we do not use intellectual property of others without their authorization.

ADVERTISING

Pursuant to "Code of Professional Conduct" published by the Medical Council of Hong Kong, no advertising for our medical and dental services due to canvassing is allowed. Our doctors and dentists also follow code of conduct to render the services with an aim to maintain the standard of medical care and public trust in the medical profession.

COMPLAINTS

The Group works to create a good client experience by providing quality products and services that suit customers' needs.

The Group provides relevant training to enhance the skills of its employees in handling customer enquiries and complaints. We have developed and implemented the relevant operating policies and procedures such as: "Client Satisfaction Monitoring procedure", "Client Satisfaction Survey Procedure", "Client Complaint Handling Policy", etc.

We welcome feedback from our customers and provide them with various ways of solving their issues. Customer complaints are followed up and addressed in a timely manner by the relevant parties depending on the nature of the complaint. Customer suggestions are taken into the consideration for improving our business operations.

During the Reporting Period, we did not have any material medical disputes from the Medical Council of Hong Kong.

ANTI-CORRUPTION

During the Reporting Period, the Group strictly complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong that have a significant impact on us, including but not limited to, "Prevention of Bribery Ordinance".

Our "Whistle-blowing Procedures" encourage and enable our employees and other stakeholders to report on observed and suspected non-compliance and questionable practices in confidence without retribution. Reported cases will be investigated and followed up by management of the Group.

Regular training regarding anti-corruption and whistle-blowing provided to all employees strengthens their awareness. No employees, including the directors, management, and all full-time, part-time, hourly, or temporary workers, are permitted to solicit or accept any form of benefits or do anything that might be deemed as a bribery whether directly or indirectly. Should such benefits be accepted by any employees, their objective attitude would be hampered, they might be enticed to perpetuate violations of rules and/or have biased judgements or misconducts. As a result, the interests of the Group may be harmed. These measures can serve as a deterrent to prevent bribery or other misbehaviors.

During the Reporting Period, no corruption case was noted or reported.

COMMUNITY INVESTMENT

The Group understands that its investment decisions have an indirect impact on the environment and society. The Group explores different opportunities of incorporating environmental and social elements into its investment decisions and operations, with reference to the best practices in the industry and internationally recognized ESG standards.

We have a donation box in every clinic to collect donations from the customers/public in support of the Red Cross in Hong Kong. It is a convenient channel for the public to help to better plan for long-term rehabilitation services and operations in Hong Kong.

We care about the community. In this respect, we have financially sponsored training courses conducted by Orbis that train eye care professionals for sight restoration of blind people. In addition, we make efforts to alleviate poverty by making donations to Oxfam. During the Reporting Period, we donated HK$24,000 in contributing to the community compared to HKD$ 21,000 in the 2018.

The Group is committed to fulfilling its corporate social responsibility not just via charity donation programs, but maintaining a high level of community involvement. We provided health care talks to our corporate clients and also free health care seminars regarding health care and treatments. A tooth care (dental) course with distribution of free toothbrushes and toothpastes was also provided to our clients during the Reporting Period.

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

Aspect	Description	Chapter	Remarks
A. Environmental A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	*Overview*	
KPI A1.1	The types of emissions and respective emissions data.	*Emissions*	

Aspect	Description	Chapter	Remarks
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Emissions*	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Waste Management*	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Waste Management*	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	*Energy Efficiency*	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	*Waste Management*	
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	*Use of Resources, Energy Efficiency, Water Usage*	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	*Energy Efficiency*	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	*Water Usage*	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	*Energy Efficiency*	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	*Water Usage*	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	*Medical Packaging*	*As a medical service provider, the use of packaging material is minimal.*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter	Remarks
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	*Not material*	*As a medical service provider, we consider our operation is not impacting the environment and natural resource significantly.*
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		
B. Social			
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	*Employment*	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	*Employment*	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	*Employment*	
B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	*Health and Safety*	
KPI B2.1	Number and rate of work-related fatalities.	*Health and Safety*	
KPI B2.2	Lost days due to work injury.	*Health and Safety*	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	*Health and Safety*	

Aspect	Description	Chapter	Remarks
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	*Development and Training*	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	*Development and Training*	
KPI B3.2	The average training hours completed per employee by gender and employee category.	*Development and Training*	
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	*Labour Standards*	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	*Labour Standards*	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	*Labour Standards*	
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	*Supply Chain Management*	
KPI B5.1	Number of suppliers by geographical region.	*Supply Chain Management*	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	*Supply Chain Management*	

Aspect	Description	Chapter	Remarks
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	*Product and Service Responsibility, Advertising*	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	*Not Applicable*	*As a medical service provider, we mainly provide medical and/or dental service to our clients, not much products are sold.*
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	*Complaints*	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	*Product and Service Responsibility*	
KPI B6.4	Description of quality assurance process and recall procedures.	*Product and Service Responsibility*	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	*Product and Service Responsibility*	
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	*Anti-corruption*	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	*Anti-corruption*	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	*Anti-corruption*	

Aspect	Description	Chapter	Remarks
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	*Community Investment*	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	*Community Investment*	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	*Community Investment*	

Deloitte.

德勤

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

OPINION

We have audited the consolidated financial statements of MediNet Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 57 to 117, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified revenue recognition as a key audit matter as revenue is one of the key performance indicators of the Group and the Group's revenue from provision of medical solutions to insurance companies involves significant volume of transactions recorded in the Group's operational system. The recognition of such revenue is highly dependent on the information data generated from the operational system to the accounting system of the Group. Hence, it gives rise to an inherent risk that such revenue could be misstated or subject to manipulation. For the year ended 31 March 2019, the Group recognised revenue of HK$32,317,000 in respect of provision of medical solutions to insurance companies. Details of revenue from provision of medical solutions to insurance companies are set out in note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Understanding and testing the controls over the validity of the data from the operational system and transmission of the information data from the operational system to the accounting system; • Engaging our internal computer specialists to verify the accuracy of consultation fee to be billed to insurance companies, by extracting relevant data from the operational system to recalculate the amount of the transactions recorded in the accounting system for selected months; • Selecting samples of revenue transaction and checking to annual retainer contracts and settlement documents; and • Performing analytical review procedures on revenue deriving from the provision of medical solutions and identifying and obtaining explanation for fluctuation noted.
Impairment of goodwill arising from the acquisition of a subsidiary	
We identified the impairment of goodwill allocated to the relevant cash generating unit ("CGU") of the Acquired Business (as defined below) as a key audit matter due to the inherent subjectivity involved in impairment assessment of goodwill by the management as disclosed in note 4 and note 16 to the consolidated financial statements. Goodwill arose from the acquisition of a subsidiary (the "Acquired Business") during the year ended 31 March 2019 and the carrying amount of goodwill was HK$19,483,000 at 31 March 2019. For the purpose of impairment testing, goodwill has been allocated to the relevant CGU of the Acquired Business. The Group engaged independent qualified valuer to assist in determining the value in use of the relevant CGU of the Acquired Business that goodwill belongs to. Significant judgment and assumptions, such as the use of appropriate discount rate and growth rate, were required in the process of impairment testing.	Our audit procedures in relation to the impairment of goodwill by the management included: • Understanding the relevant key controls over the assessment of impairment of goodwill; • Assessing the competence, capabilities and objectivity of the independent qualified valuer; • Engaging our internal valuation experts to assess the appropriateness of the discount rate used; and • Evaluating the reasonableness of the revenue growth rate and operating expenses used in the value in use calculation of the relevant CGU by comparing to the historical data and with reference to future business plan, market data and industry benchmark.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Stephen C. L. Yuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2019

	NOTES	**2019 HK$'000**	2018 HK$'000
Revenue	5	**140,834**	97,830
Other income	6	**1,320**	1,941
Other gains and losses	7	**(2,119)**	(253)
Medical and dental professional services expenses	8	**(62,850)**	(48,512)
Staff costs	8	**(37,932)**	(31,749)
Depreciation of property, plant and equipment		**(3,325)**	(1,953)
Cost of medical and dental supplies	8	**(13,921)**	(3,928)
Rental expenses		**(12,538)**	(10,154)
Other expenses		**(20,601)**	(16,400)
Amortisation of other intangible assets		**(1,179)**	–
Loss before taxation	8	**(12,311)**	(13,178)
Income tax (expense) credit	9	**(1,126)**	474
Loss for the year		**(13,437)**	(12,704)
Other comprehensive (expense) income for the year			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(482)**	537
Total comprehensive expense for the year		**(13,919)**	(12,167)
Loss per share — Basic (Hong Kong cents)	12	**(1.29)**	(1.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	**11,014**	8,281
Goodwill	16	**19,483**	–
Other intangible assets	15	**6,287**	–
Contingent consideration receivable	29	**2,800**	–
Rental deposits	18	**3,268**	3,314
Other receivables	18	**317**	1,457
Deferred tax assets	22	**1,155**	1,036
		44,324	14,088
Current assets			
Inventories	17	**750**	723
Accounts and other receivables	18	**12,965**	11,659
Amounts due from related parties	19	**506**	169
Tax recoverable		**88**	1,031
Short-term bank deposits	20	**–**	35,000
Loan receivable	14	**–**	5,000
Bank balances and cash	20	**27,486**	23,272
		41,795	76,854
Current liabilities			
Accounts and other payables	21	**17,291**	23,771
Contract liabilities	21	**14,327**	–
		31,618	23,771
Net current assets		**10,177**	53,083
Total assets less current liabilities		**54,501**	67,171
Non-current liability			
Deferred tax liabilities	22	**1,249**	–
Net assets		**53,252**	67,171

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTE	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	23	**10,400**	10,400
Reserves		**42,852**	56,771
Total equity		**53,252**	67,171

The consolidated financial statements on pages 57 to 117 were approved and authorised for issue by the board of directors on 24 June 2019 and are signed on its behalf by:

Chan Chi Wai, Nelson
DIRECTOR

Jiang Jie
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note)	Special reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2017	10,400	51,853	(1,253)	20,515	–	(2,177)	79,338	(237)	79,101
Loss for the year	–	–	–	–	–	(12,704)	(12,704)	–	(12,704)
Exchange differences arising on translation	–	–	–	–	537	–	537	–	537
Loss and total comprehensive income (expense) for the year	–	–	–	–	537	(12,704)	(12,167)	–	(12,167)
Disposal of a subsidiary	–	–	–	–	–	–	–	237	237
At 31 March 2018	10,400	51,853	(1,253)	20,515	537	(14,881)	67,171	–	67,171
Loss for the year	–	–	–	–	–	(13,437)	(13,437)	–	(13,437)
Exchange differences arising on translation	–	–	–	–	(482)	–	(482)	–	(482)
Loss and total comprehensive expense for the year	–	–	–	–	(482)	(13,437)	(13,919)	–	(13,919)
At 31 March 2019	10,400	51,853	(1,253)	20,515	55	(28,318)	53,252	–	53,252

Note: In November 2012, the Group advanced a three-year unsecured, interest-free loan with principal amount of HK$13,663,000 to Medinet Holdings Limited, the then holding company of Well Being Dental Services Limited, Medinet Services Limited and Medinet Health Centre Limited of which Mr. Chan Chi Wai, Nelson ("Mr. Chan") was the ultimate owner and the controlling shareholder ("Controlling Shareholder"). The interest-free loan was initially measured at its fair value of HK$12,410,000 at an effective interest rate of 3.25% per annum and subsequently carried at amortised cost using effective interest method. The fair value adjustment of HK$1,253,000 at initial recognition of the interest-free loan was recognised in equity as deemed distribution to shareholder. The loan has been settled during the year ended 31 March 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 March 2019

	NOTE	**2019** **HK$'000**	2018 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(12,311)**	(13,178)
Adjustments for:			
Interest income		**(241)**	(895)
Amortisation of other intangible assets		**1,179**	–
Depreciation of property, plant and equipment		**3,325**	1,953
Loss on disposal of property, plant and equipment		**–**	4
Net loss on disposal of a subsidiary		**–**	234
Loss on written off of property, plant and equipment		**194**	15
Fair value change of contingent consideration receivable		**424**	–
Operating cash flows before movements in working capital		**(7,430)**	(11,867)
Increase in inventories		**(27)**	(258)
Decrease (increase) in accounts and other receivables and rental deposits		**997**	(242)
Increase in amount due from a related party		**(32)**	(135)
Increase in accounts and other payables		**3,264**	2,036
Increase in contract liabilities		**1,033**	–
Cash used in operations		**(2,195)**	(10,466)
Hong Kong Profits Tax paid		**(626)**	(45)
NET CASH USED IN OPERATING ACTIVITIES		**(2,821)**	(10,511)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(3,718)**	(5,525)
Advances to related parties		**(308)**	(330)
Advance to a director		**–**	(19)
Proceeds from settlement of a loan receivable		**5,000**	8,000
Interest received		**390**	746
Repayment from a related party		**308**	296
Repayment from a director		**–**	161
Repayment from a non-controlling interest		**–**	5
Proceeds from disposal of a subsidiary		**–**	3
Proceeds from disposal of property, plant and equipment		**–**	2
Withdrawal of short-term bank deposits		**35,000**	–
Acquisition of a subsidiary	29	**(29,253)**	–
NET CASH FROM INVESTING ACTIVITIES		**7,419**	3,339
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,598**	(7,172)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**23,272**	30,002
Effect of foreign exchange rate changes		**(384)**	442
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**27,486**	23,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

MediNet Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 August 2015. The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 May 2016. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report. The Company's immediate and ultimate holding company is Medinet International Limited ("Medinet International"), a company incorporated in the British Virgin Islands ("BVI") which is controlled by the Controlling Shareholder.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 30.

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations.

The Group 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 accumulated losses (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 Group 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.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Provision of medical solutions to insurance companies
- Provision of medical solutions to corporations
- Provision of medical services
- Provision of dental solutions
- Provision of dental services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Prior to the application of HKFRS 15, the Group recognised receipt in advance at the end of the reporting period based on consideration already received by the Group while the provision of relevant services had not yet been rendered to contract customers. Details of the relevant services are set out in note 21. The following adjustment was made to the amounts recognised in the consolidated 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			
Accounts and other payables	23,771	(11,127)	12,644
Contract liabilities	–	11,127	11,127

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 after taking into account the adjustment as disclosed above.

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

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

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for the line item affected. Line items that were not affected by the changes have not been included.

Impact on consolidated statement of financial position

	As reported HK$'000	Adjustment HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities			
Accounts and other payables	17,291	14,327	31,618
Contract liabilities	14,327	(14,327)	–

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustment HK$'000	Amounts without application of HKFRS 15 HK$'000
OPERATING ACTIVITIES			
Increase in accounts and other payables	3,232	1,033	4,265
Increase in contract liabilities	1,033	(1,033)	–

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

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *"Financial Instruments"* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and (iii) general hedge accounting.

The Group 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 under ECL model) 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, if any, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS *39 "Financial Instruments: Recognition and Measurement"*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Classification and measurement of financial assets and financial liabilities

The directors of the Company reviewed and assessed the Group's financial assets and financial liabilities at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the Group's financial assets and financial liabilities are to continue to be measured at amortised cost upon adoption of HKFRS 9, which is the same as the method of measurement used under HKAS 39.

Impairment under ECL model

At 1 April 2018, the directors of the Company have reviewed and assessed the 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.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
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[3]
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 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
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 Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements 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.

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

HKFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature as appropriate.

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.

Under HKFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case of HKAS 17).

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$19,419,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$3,493,000 as rights 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and 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 Group 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 Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are within the scope of HKAS 17, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

Business combination

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

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

When a consideration transferred by the Group in a business combination includes 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. 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.

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 Group's cash generating units ("CGUs") (or group of CGUs) 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 CGU (or group of CGUs) 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 CGU (or group of CGUs) 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 CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

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 Group's performance in transferring control of goods or services.

The Group uses time elapsed output method for dental solutions, medical solutions to corporations and invisalign treatment of dental services in measuring the progress of the performance obligation.

Revenue recognition (prior to 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 Group and when specific criteria have been met for each of the Group's activities, as described below.

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

Revenue from the provision of medical and dental services to self-paid individual patients is recognised upon rendering of the relevant services.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation of property, plant and equipment is recognised so as to write off the cost 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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) *(Continued)*

All other financial assets are subsequently measured at FVTPL except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "*Business Combinations*" applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets 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 (see below). 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 from the next reporting period. If 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 the 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 gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts and other receivables, amounts due from related parties of non-trade nature, bank balances and lease receivable). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("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. Assessments are done based on the Group'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 Group always recognises lifetime ECL for accounts receivables and amount due from a related party of trade nature. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group 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 has increased significantly since initial recognition, the Group 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 Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) *(Continued)*

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group 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 Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group 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 Group 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 accounts 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 Group'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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) *(Continued)*

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 Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For amount due from a related party of trade nature, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

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 Group 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 and amount due from a related party of trade nature where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurements of financial assets (before application of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group 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 Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and government-managed retirement benefit schemes in the Mainland China (the "PRC"), 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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 accounting profit/loss as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of goodwill arising from the acquisition of a subsidiary ("Acquired Business")

Goodwill arose from the Acquired Business during the year ended 31 March 2019 and the carrying amount of goodwill was HK$19,483,000 at 31 March 2019. Determining whether an impairment loss of goodwill requires an estimate of the recoverable amount of the relevant CGU to which goodwill belongs to. The recoverable amount is determined based on a value in use calculation. In determining the value in use, the management of the Group engaged independent qualified valuer to assist in determining the value in use of the relevant CGU. Significant judgment and assumptions, such as the use of appropriate discount rate and growth rate, were required in the process of impairment testing. 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. Details of the recoverable amount calculation for the CGU are set out in note 16. During the year ended 31 March 2019, no impairment loss was recognised in relation to goodwill arising from the Acquired Business.

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

Annual retainer contracts

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

The frequency and severity of the Risk are affected by many factors, including, *inter alia,* the health status and awareness of the persons covered by the Annual Retainer Contracts and that of the general public in Hong Kong, the outbreak/potential outbreak of any epidemic, climatic changes, the duration of those contracts (which in general are of short duration), as well as a diversity of social, industrial and economic factors. The risk associated with such factors (including any undue concentration thereof and the probability of the occurrence of certain events affected by them) on the actual utilisation ratio for individual contracts is the key source of uncertainty that needs to be estimated. During both years, no cost of respective annual retainer contracts exceeded the revenue.

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

Contingent consideration receivable

The Group acquired a subsidiary during the year and entitled to a contingent consideration receivable as detailed in note 29. The determination of the amount involves the estimation of the expected future cash flows that will flow into the Group using discounted cash flow method. When the actual future cash flows are less than expected, or change in facts and circumstances which results in a downward revision of future cash flows, a material impact on the fair value of contingent consideration receivable will arise. As at 31 March 2019, the fair value of contingent consideration receivable was HK$2,800,000 and the fair value change of contingent consideration receivable of HK$424,000 was recognised in profit or loss.

5. REVENUE AND SEGMENT INFORMATION

A. Revenue for the year ended 31 March 2019

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 March 2019 Dental business HK$'000	Medical business HK$'000	Total HK$'000
Types of service			
Dental business			
Solutions	5,532	–	5,532
Services	59,516	–	59,516
Sub-total	65,048	–	65,048
Medical business			
Solutions to insurance companies	–	32,317	32,317
Solutions to corporations	–	19,954	19,954
Services	–	23,515	23,515
Sub-total	–	75,786	75,786
Total	65,048	75,786	140,834
Geographical markets			
Hong Kong	64,010	75,786	139,796
The PRC	1,038	–	1,038
Total	65,048	75,786	140,834
Timing of revenue recognition			
A point in time	34,033	55,832	89,865
Over time	31,015	19,954	50,969
Total	65,048	75,786	140,834

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue for the year ended 31 March 2019 *(Continued)*

(ii) Performance obligations for contracts with customers

Dental solutions

The Group's dental solutions services represent annual retainer fee derived from Annual Retainer Contracts entered with corporations and individual customers. The customers would generally pay a fixed amount of annual fee per plan member and each plan member would generally be entitled to certain dental services free of charge or at specified prices for specific dental services with or without additional payments when visiting to the Group's dental clinics throughout a year. The performance obligations of the provision of dental solutions to the customers including orthodontic treatment, dental laser implant surgery, teeth whitening, other general dental services, scaling and polishing, fillings, intra oral X-rays and routine oral examination to patients, while these customers are entitled to consume the dental services simultaneously.

The Group satisfied the performance obligation by providing dental solutions to corporations, insurance companies and individual customers within the period of Annual Retainer Contracts and these customers would be entitled to consume dental solutions throughout the contract period. As the directors of the Company considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised over time in a pattern which approximates to time elapsed.

Dental services

The Group's general dental services represent dental care services such as orthodontic treatment, dental laser implant surgery, teeth whitening, other general dental services, scaling and polishing, fillings, intra-oral X-rays and routine oral examination to patients. Generally, the Group charges one-off general dental service fee based on an agreed pricing for a specific dental service. The Group is obliged to perform the general dental service carried out by dentists or hygienists to patients. Upon completion of the performance of general dental services at dental clinics, the Group has fulfilled its performance obligations and revenue is therefore recognised at a point in time.

For invisalign treatment services, the Group satisfies the performance obligation by performing consultation services to move and align patients' teeth under dentists' instruction and control. Revenue is recognised over the time where the patient received and consumed the benefits of the movement and alignment of patients' teeth simultaneously. Advance payment will be made by patients for invisalign treatment services. As the directors considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised over time in a pattern which approximates to time elapsed.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. Revenue for the year ended 31 March 2019 *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

Medical solutions

The Group's medical solutions represent annual retainer fee derived from Annual Retainer Contracts entered with corporations. The customers would generally pay a fixed amount of annual fee per plan member and each plan member would generally be entitled to certain medical services free of charge or at specified prices for specific medical solutions with or without additional payments when visiting to the Group's medical clinics throughout a year. The performance obligations of the provision of medical solutions to the customers including general practitioner consultation services, immunization services, body checkup and men's health medical services, while these customers are entitled to consume the medical solutions simultaneously. The Group satisfies the performance obligation by providing continuous medical solutions to corporations' employees within the period of Annual Retainer Contracts and corporations' employees would be entitled to consume the medical solutions throughout the contract period. As the directors of the Company considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised over time in a pattern which approximates to time elapsed.

The Group's medical solutions to insurance companies represent the provision of medical solutions including general practitioner consultation services, immunization services and body checkup. Generally, the Group charges the insurance companies on a pre-agreed fee rate based on the medical solutions provided. Upon completion of the medical solutions, the Group has fulfilled its performance obligations and revenue is therefore recognised at a point in time.

Medical services

The Group operates medical clinics to provide general medical and men's health medical services to patients mainly general practitioner consultation services, immunization services, body checkup and men's health medical services. Generally, the Group charges one-off general medical service fee based on an agreed pricing for a specific medical service. Upon completion of the performance of general medical and men's health services at medical clinics, the Group has fulfilled its performance obligations and revenue is therefore recognised at a point in time.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group's all contracts with customers in relation to dental solutions, dental services, other general dental services, medical solutions to insurance companies, medical solutions to corporation and medical services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) in relation to dental services (invisalign treatment services) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

	Dental services HK$'000
Within one year	1,584
More than one year but not more than two years	1,253
	2,837

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

B. Revenue for the year ended 31 March 2018

	2018 HK$'000
Dental business	
Solutions	6,044
Services	17,320
Sub-total	23,364
Medical business	
Solutions to insurance companies	34,134
Solutions to corporations	19,979
Services	20,353
Sub-total	74,466
Total	97,830

C. Segment information

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

(i)	Dental business	Provision of dental solutions and dental services
(ii)	Medical business	Provision of medical solutions to insurance companies, medical solutions to corporation and medical services

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

C. Segment information *(Continued)*

Segment revenue and results

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

Year ended 31 March 2019

	Dental business HK$'000	Medical business HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
SEGMENT REVENUE					
External revenue	**65,048**	**75,786**	**140,834**	**–**	**140,834**
Inter-segment revenue	**1,232**	**–**	**1,232**	**(1,232)**	**–**
Segment revenue	**66,280**	**75,786**	**142,066**	**(1,232)**	**140,834**
Segment (loss) profit	**(2,795)**	**2,237**	**(558)**		**(558)**
Unallocated expenses					**(11,414)**
Unallocated income					**1,162**
Unallocated loss					**(1,501)**
Loss before taxation					**(12,311)**
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Addition to property, plant and equipment	**2,600**	**1,118**	**3,718**		**3,718**
Depreciation	**2,526**	**799**	**3,325**		**3,325**
Amortisation	**1,179**	**–**	**1,179**		**1,179**
Loss on written off of property, plant and equipment	**(132)**	**(62)**	**(194)**		**(194)**

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

C. Segment information *(Continued)*

Segment revenue and results *(Continued)*

Year ended 31 March 2018

	Dental business HK$'000	Medical business HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
SEGMENT REVENUE					
External revenue	23,364	74,466	97,830	–	97,830
Inter-segment revenue	1,164	–	1,164	(1,164)	–
Segment revenue	24,528	74,466	98,994	(1,164)	97,830
Segment loss	(5,265)	(304)	(5,569)		(5,569)
Unallocated expenses					(9,174)
Unallocated income					1,799
Unallocated loss					(234)
Loss before taxation					(13,178)
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Addition to property, plant and equipment	4,823	702	5,525		5,525
Depreciation	1,064	889	1,953		1,953
Loss on disposal of property, plant and equipment	–	(4)	(4)		(4)
Loss on written off of property, plant and equipment	(15)	–	(15)		(15)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of unallocated expenses, income and loss mainly including general office expenses, other income (excluding credit card rebate), interest income, other gains and losses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

C. Segment information *(Continued)*

Segment assets and liabilities

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

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A[1]	**14,408**	15,242

[1] Revenue from the provision of Medical business

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers for the year		**Non-current assets at 31 March**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong	**139,796**	97,830	**37,645**	9,222
The PRC	**1,038**	–	**2,407**	2,373
	140,834	97,830	**40,052**	11,595

Note: Non-current assets excluded financial instruments and deferred tax assets.

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Rental income	**919**	762
Interest income on loan receivable	**100**	612
Bank interest income	**141**	283
Credit card rebate	**158**	142
Sundry income	**2**	142
	1,320	1,941

7. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Loss on written off of property, plant and equipment	**(194)**	(15)
Loss on disposal of property, plant and equipment	**–**	(4)
Net loss on disposal of a subsidiary	**–**	(234)
Exchange loss	**(1,501)**	–
Fair value change of contingent consideration receivable	**(424)**	–
	(2,119)	(253)

8. LOSS BEFORE TAXATION

	2019 HK$'000	2018 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 10)	**4,176**	3,364
Salaries and allowance for staff excluding directors	**32,239**	27,030
Retirement benefit scheme contributions for staffs excluding directors	**1,517**	1,355
Total staff costs (note ii)	**37,932**	31,749
Medical and dental professional services expenses (note i)	**62,850**	48,512
Cost of inventories recognised as an expense	**13,921**	3,928
Minimum lease payments in respect of rental premises	**12,538**	10,154
Auditor's remuneration	**800**	800

8. LOSS BEFORE TAXATION *(Continued)*

Notes:

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

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

9. INCOME TAX EXPENSE (CREDIT)

	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong	**1,158**	408
Underprovision in prior year:		
Hong Kong	**206**	–
	1,364	408
Deferred tax (note 22)	**(238)**	(882)
	1,126	(474)

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for the PRC enterprise income tax has been made as the Group has no assessable profit in the PRC.

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK$20,000 (2018: HK$30,000).

9. INCOME TAX EXPENSE (CREDIT) *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Loss before taxation	**(12,311)**	(13,178)
Tax at Hong Kong Profits Tax rate of 16.5%	**(2,031)**	(2,174)
Tax effect of expenses not deductible for tax purposes	**1,409**	1,541
Tax effect of income not taxable for tax purposes	**(22)**	(48)
Tax effect of tax loss not recognised	**1,789**	267
Underprovision in prior year	**206**	–
Income tax at concessionary rate	**(165)**	–
Tax concessions	**(60)**	(60)
Income tax expense (credit) for the year	**1,126**	(474)

Details of deferred taxation are set out in note 22.

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

Mr. Chan and Ms. Jiang Jie, who is the spouse of Mr. Chan, were appointed as the executive directors of the Company on 20 August 2015. Mr. Chan was the chief executive of the Company and his emoluments disclosed below include those for service rendered by him as the chief executive.

Directors and Chief Executive

2019

	Executive directors		**Independent non-executive directors**			
	Mr. Chan HK$'000	**Ms. Jiang Jie HK$'000**	**Dr. Lieu Geoffrey Sek Yiu HK$'000**	**Mr. Leung Po Hon HK$'000**	**Mr. Wong Wai Leung HK$'000**	**Total HK$'000**
Fees	**–**	**–**	**180**	**180**	**180**	**540**
Other emoluments						
Salaries and allowances	**1,200**	**1,200**	**–**	**–**	**–**	**2,400**
Other benefits and allowances	**1,200**	**–**	**–**	**–**	**–**	**1,200**
Retirement benefit scheme contributions	**18**	**18**	**–**	**–**	**–**	**36**
Total emoluments	**2,418**	**1,218**	**180**	**180**	**180**	**4,176**

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

Directors and Chief Executive *(Continued)*

2018

	Executive directors		Independent non-executive directors			
	Mr. Chan HK$'000	Ms. Jiang Jie HK$'000	Dr. Lieu Geoffrey Sek Yiu HK$'000	Mr. Leung Po Hon HK$'000	Mr. Wong Wai Leung HK$'000	Total HK$'000
Fees	–	–	180	180	180	540
Other emoluments						
Salaries and allowances	945	945	–	–	–	1,890
Other benefits and allowances	900	–	–	–	–	900
Retirement benefit scheme contributions	17	17	–	–	–	34
Total emoluments	1,862	962	180	180	180	3,364

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

Employees

The five highest paid individuals of the Group included two directors (2018: two directors) of the Company for the year. The emoluments of the remaining three (2018: three) highest paid individuals for both years are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	**3,139**	3,773
Retirement benefit scheme contributions	**67**	55
	3,206	3,828

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

	2019 Number of individuals	2018 Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	3	3

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

11. DIVIDENDS

The directors of the Company do not recommend any dividend for the both years nor propose any dividend since the end of the reporting period.

12. LOSS PER SHARE

	2019 HK$'000	2018 HK$'000
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share for the year	**13,437**	12,704

	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic loss per share	**1,040,000**	1,040,000

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Professional equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2017	6,190	8,975	3,922	3,714	22,801
Additions	2,246	2,628	651	–	5,525
Eliminated on disposals	–	(8)	–	–	(8)
Eliminated on written off	(441)	–	(33)	–	(474)
Exchange realignment	35	74	10	–	119
At 31 March 2018	8,030	11,669	4,550	3,714	27,963
Additions	1,187	1,664	867	–	3,718
Eliminated on written off	(235)	(3)	(55)	–	(293)
Acquired on acquisition of a subsidiary (note 29)	950	105	1,605	–	2,660
Exchange realignment	(39)	(94)	(8)	–	(141)
At 31 March 2019	9,893	13,341	6,959	3,714	33,907
DEPRECIATION					
At 1 April 2017	4,139	7,473	3,405	3,149	18,166
Provided for the year	911	632	272	138	1,953
Eliminated on disposals	–	(2)	–	–	(2)
Eliminated on written off	(430)	–	(29)	–	(459)
Exchange realignment	9	10	5	–	24
At 31 March 2018	4,629	8,113	3,653	3,287	19,682
Provided for the year	1,580	1,220	387	138	3,325
Eliminated on written off	(74)	(3)	(22)	–	(99)
Exchange realignment	(4)	(10)	(1)	–	(15)
At 31 March 2019	6,131	9,320	4,017	3,425	22,893
CARRYING VALUES					
At 31 March 2019	3,762	4,021	2,942	289	11,014
At 31 March 2018	3,401	3,556	897	427	8,281

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

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 at the following rates per annum:

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

14. LOAN RECEIVABLE

At 31 March 2018, the amount represented a debt security with a fixed interest rate of 8% per annum purchased by the Group. During the year, the debt security was fully redeemed by the issuer.

15. OTHER INTANGIBLE ASSETS

	Right to use trade names HK$'000	Customer relationship HK$'000	Total HK$'000
COST			
At 1 April 2017 and 31 March 2018	–	–	–
Acquired on acquisition of a subsidiary (note 29)	4,291	3,175	7,466
At 31 March 2019	4,291	3,175	7,466
AMORTISATION			
At 1 April 2017 and 31 March 2018	–	–	–
Charge for the year	678	501	1,179
At 31 March 2019	3,613	2,674	6,287

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 remaining useful lives of the right to use trade names and customer relationship, which are assessed as being fifty seven months.

16. GOODWILL

	HK$'000
CARRYING VALUE	
At 1 April 2017 and 31 March 2018	–
Acquisition of a subsidiary (note 29)	19,483
At 31 March 2019	19,483

The Group tests for impairment of goodwill annually and in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired.

Impairment testing on goodwill

For the year ended 31 March 2019

Management considers that the subsidiary engaging in the provision of Dental business represents a separate CGU for the purpose of goodwill impairment testing.

The amount of goodwill as at 31 March 2019 is allocated as follows:

	HK$'000
Provision of dental services business within the following subsidiary	
Master Clever (as defined in note 29)	19,483

The recoverable amount of the relevant CGU is determined based on a value in use calculation. The Group engaged independent qualified valuer to assist in determining the value in use of the relevant CGU. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and at a pre-tax discount rate of 12.8% as at 31 March 2019. The CGU's cash flows beyond the 5-year period are extrapolated using a growth rate of 2% as at 31 March 2019 that is with reference to the historical performance of the relevant CGU and the relevant industry growth forecasts that do not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

During the year, the Group has determined no impairment loss on goodwill in the profit or loss after assessment. Management believes that any reasonably possible change in any of the key assumptions of cash flow projections would not cause the carrying amount of CGU to exceed the recoverable amount of CGU.

17. INVENTORIES

	2019 HK$'000	2018 HK$'000
Pharmaceutical products	**750**	723

18. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	2019 HK$'000	2018 HK$'000
Accounts receivables	**8,094**	7,383
Other receivables		
— Other receivables	**2,102**	3,952
— Prepayments	**2,630**	1,747
— Rental and utility deposits	**3,724**	3,348
Total accounts and other receivables	**16,550**	16,430
Less: Receivables within twelve months shown under current assets	**(12,965)**	(11,659)
Rental deposits and other receivables shown under non-current assets	**3,585**	4,771
Presented in the consolidated statement of financial position:		
— Rental deposits	**3,268**	3,314
— Other receivables	**317**	1,457
	3,585	4,771

As at 1 April 2018, accounts receivables from contracts with customers amounted to HK$7,383,000.

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

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

The following is an aged analysis of accounts receivables based on the invoice date, which approximate the date of revenue recognition:

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**4,362**	3,211
31 to 60 days	**2,199**	2,998
61 to 90 days	**1,409**	951
91 to 180 days	**124**	223
	8,094	7,383

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

At 31 March 2018, included in the Group's accounts receivables balance are debtors with aggregate carrying amounts of HK$223,000 which are past due at the end of the reporting period for which the Group has not recognised an impairment loss because there has not been a significant change in credit quality and the amounts were still considered to be recoverable. The Group does not hold any collateral over these balances.

Age of accounts receivables that are past due but not impaired

	2018 HK$'000
Overdue by:	
1 to 30 days	223

Details of impairment of accounts and other receivables for the year ended 31 March 2019 are set out in note 28.

19. AMOUNTS DUE FROM RELATED PARTIES

Amounts due from related parties are as follows:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000	Maximum balance outstanding during the year 2019 HK$'000	2018 HK$'000
Amounts due from related parties				
Medinet International[1]	**7**	7	**7**	7
Daily Wise International Limited[1]	**3**	3	**3**	3
Face Factor Limited ("Face Factor")[1,3]	**191**	159	**257**	247
I-Teeth Limited ("I-Teeth")[2]	**305**	–	**305**	–
	506	169		

1. Mr. Chan is the director and also the controlling shareholder of these companies. Medinet International is the ultimate holding company of the Company.

2. The company is wholly-owned by a key management personnel of the Group.

3. These balances are of trade nature HK$77,000 (2018: HK$64,000) is aged within 30 days and HK$114,000 (2018: HK$95,000) is aged within 60 to 90 days.

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

Details of impairment of amounts due from related parties for the year ended 31 March 2019 are set out in note 28.

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

Bank balances carried interest at prevailing market interest rate of 0.01% (2018: 0.01%) per annum. At 31 March 2018, short-term bank deposits carried interest at market interest rate of 1% per quarter.

Details of impairment of bank balances for the year ended 31 March 2019 are set out in note 28.

21. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Accounts and other payables		
Accounts payables	**10,892**	8,531
Other payables	**377**	600
Receipt in advance	**–**	11,127
Accrued expenses	**6,022**	3,513
	17,291	23,771

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

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

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**5,194**	3,044
31 to 60 days	**3,011**	2,751
61 to 90 days	**2,520**	2,718
91 to 120 days	**167**	18
	10,892	8,531

	31 March 2019	1 April 2018*
Contract liabilities		
Medical solutions	**9,460**	9,717
Dental solutions	**2,030**	131
Dental services	**2,837**	1,879
	14,327	11,127

* This amount in this column is after the adjustment upon application of HKFRS 15. Out of which, HK$9,918,000 has been recognised as revenue in the current year and the remaining HK$1,209,000 in relation to dental services (invisalign treatment services) will be recognised as revenue within one year from 31 March 2019.

22. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Fair value adjustment of property, plant and equipment HK$'000	Intangible assets HK$'000	Total HK$'000
At 1 April 2017	(52)	206	–	–	154
(Charge) credit to profit or loss	(67)	949	–	–	882
At 31 March 2018	(119)	1,155	–	–	1,036
Credit to profit or loss	16	–	27	195	238
Acquisition of a subsidiary (note 29)	–	–	(136)	(1,232)	(1,368)
At 31 March 2019	(103)	1,155	(109)	(1,037)	(94)

22. DEFERRED TAXATION *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
Deferred tax assets	**1,155**	1,036
Deferred tax liabilities	**(1,249)**	–
	(94)	1,036

At the end of the reporting period, the Group has unused tax losses of HK$20,323,000 (2018: HK$9,481,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$7,001,000 (2018: HK$7,001,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$13,322,000 (2018: HK$2,480,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

23. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$
Ordinary share of HK$0.01 each		
Authorised:		
1 April 2017, 31 March 2018 and 31 March 2019	5,000,000,000	50,000,000
Issued and fully paid:		
1 April 2017, 31 March 2018 and 31 March 2019	1,040,000,000	10,400,000

24. OPERATING LEASES

The Group as lessee

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

	2019 HK$'000	2018 HK$'000
Minimum lease payments under operating leases:		
Within one year	**11,046**	9,033
In the second to fifth year inclusive	**8,373**	15,703
	19,419	24,736

Operating lease payments represent rentals payable by the Group for its office and premises used for provision of medical and dental services. These leases are negotiated for lease terms ranging from one year to five years (2018: one year to five years) with fixed monthly rentals. None of the lease include any contingent rentals.

The Group as lessor

Property rental income earned during the year was HK$919,000 (2018: HK$762,000). The property has committed tenant for the next three years and it is rented to Face Factor, a related company of the Group. Please refer to notes 19 and 25 for details.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2019 HK$'000	2018 HK$'000
Minimum lease payments under operating leases:		
Within one year	**780**	780
In the second to fifth year inclusive	**132**	912
	912	1,692

25. RELATED PARTY DISCLOSURES

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

Name of related company	Relationship	Nature of transaction	2019 HK$'000	2018 HK$'000
Face Factor	Related company	Rental income	**919**	762
I-Teeth	Related company	Dental professional services expense	**13,095**	–

(ii) Compensation of key management personnel

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

	2019 HK$'000	2018 HK$'000
Short-term benefits	**7,071**	5,811
Post-employments benefits	**108**	107
	7,179	5,918

Further details of the directors' emoluments are included in note 10.

26. RETIREMENT BENEFITS PLAN

The Group 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 Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

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

The total expenses of HK$1,553,000 (2018: HK$1,389,000) recognised in profit or loss represent contributions paid or payable to the above schemes by the Group for the year ended 31 March 2019.

27. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

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

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**–**	74,776
Financial assets at amortised cost	**38,188**	–
Financial assets at FVTPL	**2,800**	–
Financial liabilities		
Amortised cost	**11,269**	9,131

Financial risk management objectives and policies

The Group's major financial instruments include accounts and other receivables, amounts due from related parties, bank balances and cash, contingent consideration receivable and accounts and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk relates primarily to variable-rate bank balances (see note 20) due to the fluctuation of the prevailing market interest rate. In addition, the Group was exposed to fair value interest rate risk in relation to fixed-rate short-term bank deposits (see note 20) at 31 March 2018. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

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

Foreign currency risk

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

Credit risk and impairment assessment

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

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on accounts balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited as such amounts are placed in banks with high credit ratings.

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Other than the concentration of credit risk on amounts due from related parties and liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk on accounts receivables and other receivables, with exposure over a number of counterparties.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK'000
Financial assets at amortised cost				
Accounts receivables	18	Note (i)	Lifetime ECL	8,094
Other receivables	18	Note (ii)	12m ECL	2,102
Amounts due from related parties	19	Note (ii)	Lifetime ECL (trade nature)	191
			12m ECL	315
				506
Bank balances	20	N/A Note (iii)	12m ECL	27,264

Notes:

(i) For accounts receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

(iii) For the purposes of internal credit risk management, the Group uses external credit ratings of the banks to assess whether credit risk has increased significantly since initial recognition.

Accounts receivables

The directors of the Company are of the view that the credit risks of accounts receivables are minimal as there are from creditworthy medical card issuing companies and corporations with no history of defaults. The credit risk is insignificant. No impairment is made for these receivables.

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Other receivables and amounts due from related parties

The Group considered the credit risk on the other receivables and amounts due from related parties at the end of the reporting period using the past due information and concluded that there has been no significant increase in credit risk since initial recognition. Accordingly, no loss allowance is made for other receivables and amounts due from related parties as the amount of ECL with respect to these balances is considered insignificant.

Bank balances

The Group considered the credit risk on bank balances is limited since they are placed with banks with high external credit ratings. Accordingly, no loss allowance is made for bank balances as the amount of ECL with respect to these balances is considered insignificant.

Liquidity risk

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

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

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 6 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 March 2019				
Accounts and other payables	–	**11,269**	**11,269**	**11,269**

	Weighted average interest rate %	On demand or less than 6 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 March 2018				
Accounts and other payables	–	9,131	9,131	9,131

28. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

A financial asset of the Company is measured at fair value at the end of 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 2019 HK$'000	Fair value at 31 March 2018 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input
Financial asset					
Contingent consideration receivable	2,800	–	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the Group arising from the contingent consideration.	Discount rate of 14% (Note i) Probability-adjusted profits with a range from HK$3,235,000 to HK$3,873,000 at 31 March 2019 (Note ii)

Notes:

i. 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.

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

28. FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 measurement of financial asset

	Contingent consideration receivable HK$'000
At 1 April 2018	–
Acquisition of a subsidiary (note 29)	4,590
Settled with related party balance (note)	(1,366)
Fair value change	(424)
At 31 March 2019	2,800

Note: The amount has been offset with the amount due to a related party, I-teeth of HK$1,061,000 and the remaining HK$305,000 is included in amount due from a related party.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

29. ACQUISITION OF A SUBSIDIARY

Pursuant to the acquisition agreement entered into among Medinet (BVI) Limited ("Medinet BVI"), a wholly-owned subsidiary of the Company, Tradewide Investments Limited (the "Vendor") and Mr. Chau Kai Man (the guarantor), of which the latter two parties are independent third parties of the Group, Medinet BVI agreed to acquire the entire equity interest of Master Clever Limited ("Master Clever"), the then wholly-owned subsidiary of the Vendor, at a cash consideration of HK$32,000,000. The transaction was completed in July 2018 and the fair value of the identifiable assets acquired and liabilities recognised for Master Clever at date of acquisition amounted to HK$7,927,000. Master Clever is engaged in the provision of dental services mainly including orthodontic treatment, dental laser implant surgery, teeth whitening, invisalign treatment services and other general dental services. Master Clever was acquired so as to continue the expansion of the Group's dental services.

Prior to the acquisition, the business of Master Clever was carried on by I-Teeth which was wholly-owned by Dr. Chiu Chong Po Kenny ("Dr. Chiu").

29. ACQUISITION OF A SUBSIDIARY *(Continued)*

Net consideration

	HK$'000
Cash	32,000
Contingent consideration receivable (note)	(4,590)
Net consideration	27,410

Note: The contingent consideration receivable is classified as financial assets at FVTPL and measured at fair value.

Acquisition-related costs amounting to HK$697,000 have been excluded from the net consideration and have been recognised as an expense in the current year, within the other expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Pursuant to the agreement, each of Dr. Chiu and I-Teeth jointly and severally guarantees to the Group that Master Clever's net profit before taxation after adjusting certain costs and expenses (the "Adjusted Net Profit") shall not be less than HK$7,000,000 ("Guaranteed Net Profit") for each of the three financial years ending 31 December 2020. In the event that the Adjusted Net Profit for a financial year is less than the Guaranteed Net Profit, Dr. Chiu and I-Teeth shall pay the shortfall to the Group.

Assets acquired and liabilities recognised at the date of acquisition:

	HK$'000
Property, plant and equipment	2,660
Intangible assets	7,466
Accounts and other receivables	1,270
Bank balances and cash	2,747
Accounts and other payables	(1,415)
Deferred tax liabilities	(1,368)
Contract liabilities	(2,167)
Amount due to a related party – I-Teeth	(1,061)
Tax payable	(205)
	7,927

The fair value of accounts and other receivables at the date of acquisition amounted to HK$1,270,000. The gross contractual amounts of those accounts and other receivables acquired amounted to HK$1,270,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

29. ACQUISITION OF A SUBSIDIARY *(Continued)*

Goodwill arising on acquisition:

	HK$'000
Net consideration	27,410
Less: net assets acquired	(7,927)
Goodwill arising on acquisition	19,483

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

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

Net cash outflow on acquisition of Master Clever

	HK$'000
Cash consideration paid	32,000
Less: cash and cash equivalent balances acquired	(2,747)
	29,253

Included in the loss for the year is a profit of HK$2,758,000 attributable to the additional business generated by Master Clever. Revenue for the year includes HK$41,367,000 generated from Master Clever.

Had the acquisition been completed on 1 April 2018, total Group revenue for the year ended 31 March 2019 would have been approximately HK$166,541,000, and loss for the year would have been approximately HK$13,080,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

30. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Issued and fully paid share capital	Attributable equity interest held by of the Company 2019	2018	Principal activities
Medinet BVI	BVI 12 August 2015	US$1,000 ordinary shares	**100%**	100%	Investment holding
Well Being Dental Services Limited	Hong Kong 22 December 1994	HK$10,000,000 ordinary shares	**100%**	100%	Provision of dental solutions and dental services
Medinet Services Limited	Hong Kong 29 March 1994	HK$10,000,000 ordinary shares	**100%**	100%	Provision of medical solutions services
Medinet Health Centre Limited	Hong Kong 9 December 1998	HK$500,000 ordinary shares	**100%**	100%	Provision of medical consultation service
Men's Health Solutions Limited	Hong Kong 20 October 2003	HK$10,000 ordinary shares	**100%**	100%	Provision of medical consultation service
Medinet Genetics Limited	Hong Kong 12 December 2017	HK$2,000,000 ordinary shares	**100%**	100%	Inactive
Medinet Privilege Limited	Hong Kong 22 August 2016	HK$10,000 ordinary shares	**100%**	100%	Provision of online service to sell dental and medical consultation services
Master Clever	Hong Kong 30 June 2016	HK$1 ordinary shares	**100%**	–	Provision of dental services
Jiangmen Medinet Clinic Limited** 江門醫匯綜合門診部有限公司	PRC 29 September 2017	RMB5,000,000 registered capital	**100%**	100%	Inactive
Shenzhen Medinet Dental Clinic Limited** 深圳醫匯卓越時代口腔門診部	PRC 23 August 2017	RMB3,000,000 registered capital	**100%**	100%	Provision of dental solutions and dental services
Medinet Medical Services (Shenzhen) Limited** 醫匯醫療服務(深圳)有限公司	PRC 23 February 2017	HK$1,000,000 registered capital	**100%**	100%	Provision of medical consultation service

The Company disposed of POM Healthcare Management Limited ("POM") to the non-controlling shareholder of POM on 22 May 2017 at a consideration of approximately HK$3,000. The amounts of net assets attributable to POM comprise of amount due from a shareholder of HK$5,000, amount due to a director of HK$12,000 and other receivables of HK$244,000.

** English translation for identification purpose only.

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

None of the subsidiaries had issued any debt securities at the end of the year.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investment in a subsidiary	**43,278**	79,462
Amount due from a subsidiary	**28,682**	44,503
	71,960	123,965
Current assets		
Amount due from a director	**–**	–[+]
Amounts due from subsidiaries	**3,457**	2,972
Other receivables and prepayments	**182**	161
Bank balances	**173**	189
	3,812	3,322
Current liabilities		
Accruals	**11**	–
Amounts due to subsidiaries	**22,538**	–
	22,549	–
Net current (liabilities) assets	**(18,737)**	3,322
Net assets	**53,223**	127,287
Capital and reserves		
Share capital	**10,400**	10,400
Reserves	**42,823**	116,887
Total equity	**53,223**	127,287

[+] Less than HK$1,000.

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

Movement in the Company's reserves:

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	125,065	796	(5,737)	120,124
Loss and total comprehensive expense for the year	–	–	(3,237)	(3,237)
At 31 March 2018	125,065	796	(8,974)	116,887
Loss and total comprehensive expense for the year	–	–	(74,064)	(74,064)
At 31 March 2019	125,065	796	(83,038)	42,823

FINANCIAL SUMMARY

For the five years ended 31 March 2015, 2016, 2017, 2018 and 2019

RESULTS

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Revenue	86,933	92,576	99,206	97,830	**140,834**
Profit (loss) before taxation	12,736	58	(3,638)	(13,178)	**(12,311)**
Income tax (expense) credit	(2,187)	(2,314)	(865)	474	**(1,126)**
Profit (loss) for the year	10,549	(2,256)	(4,503)	(12,704)	**(13,437)**

ASSETS AND LIABILITIES

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Total assets	133,074	47,747	100,862	90,942	**86,119**
Total liabilities	(67,059)	(25,153)	(21,761)	(23,771)	**(32,867)**
Net assets	66,015	22,594	79,101	67,171	**53,252**

MediNet
Group Ltd
醫 匯 集 團 有 限 公 司