

MediNet Group Ltd

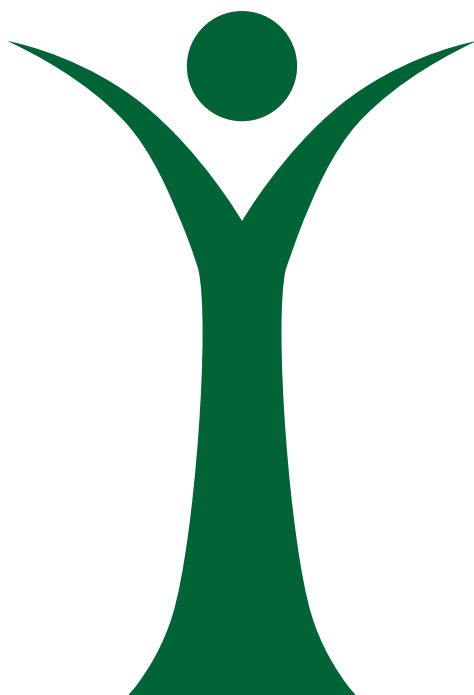
醫匯集團有限公司

(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

ANNUAL REPORT 年報

2016



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

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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

7/F, KP Tower, 93 King's Road
North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY'S WEBSITE

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

STOCK CODE

8161

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of MediNet Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am delighted and pleased to present the first annual report of the Group to you since the listing (the "**Listing**") of the shares of the Company on GEM of the Stock Exchange on 31 May 2016 (the "**Listing Date**").

A NOTE OF APPRECIATION

The Company was successfully listed on GEM on 31 May 2016. On behalf of the Group, I would like to express our deepest gratitude to all parties who have assisted us in building our business over the years and during the preparation process of the Listing.

REVIEW

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

For the year ended 31 March 2016 ("**FY2015/16**"), the Group achieved an increase in turnover of approximately HK\$5.6 million or 6.5% to approximately HK\$92.6 million compared with the year ended 31 March 2015 ("**FY2014/15**"). Such growth was mainly attributable to (i) established long-term business relationships with our existing contract customers, as well as revenue generated from new contract customers; and (ii) the consistent demand for healthcare services in Hong Kong during the year.

Although the Group's profit attributable to shareholders decreased from approximately HK\$10.5 million for FY2014/15 to a loss of approximately HK\$2.3 million for the FY2015/16, the decrease in profits attributable to shareholders was mainly due to the one-off listing expenses of approximately HK\$10.4 million (FY2014/15: HK\$0.3 million) incurred during FY2015/16. Excluding this non-recurring expenses, the Group's profits would have been approximately HK\$8.2 million (FY2014/15: approximately HK\$10.8 million). The Group also expects approximately HK\$4.3 million listing expenses will be incurred for the year ending 31 March 2017.

FORWARD

Looking ahead, the Group is positive about the prospects of the healthcare market and will continue to focus on our core business of providing corporate medical and dental solutions and the operation of our MediNet Centres and Dental Clinics. In order to maximize the long term returns to our shareholders, as mentioned in the prospectus of the Company dated 24 May 2016 (the "**Prospectus**"), the Group will devote more resources regarding the expansion the operation of our MediNet Centre and Dental Clinic in Central. As such, we have leased a new premise in Central for 2 years since June 2016 and will expand by employing more dentists. We expected our new MediNet Centre and Dental Clinic in Central will open at mid-July and August, respectively.

CHAIRMAN'S STATEMENT

In order to better serve our customers and to capitalise on the potential business opportunities, our Directors plans to lease a suitable and larger premises in Tsim Sha Tsui for relocating our Dental Clinic in 2017. Furthermore, we intend to purchase a property in Causeway Bay for relocating our Dental Clinic in Causeway Bay so as to mitigate the risk of possible increase in rental expenses in Causeway Bay and early termination or non-renewal of our lease by the relevant landlord. This also has a potential positive effect on customers' confidence in us and ensure the continuity of the operation of our Dental Clinic in the district of Causeway Bay which is strategic to the future development of our business. The Group endeavors to expand our MediNet Network by increasing the number of affiliated clinics and affiliated auxiliary services providers under our MediNet Network and broadening the range of medical and auxiliary services coverage in the relevant corporate medical benefits plans for our contract customers.

WORDS OF THANKS

On behalf of the Board of Directors of the Company, I would like to express my highest gratitude to thank for our shareholders, business partners and customers for their continuous support and to our management and staff members for their unwavering dedication and contribution to the Group's development. I believe we can create a bright future with our concerted effort.

Chan Chi Wai Nelson
Chairman

Hong Kong, 28 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$86.9 million for FY2014/15 to approximately HK\$92.6 million for FY2015/16, representing a growth of approximately 6.5%. The increase was mainly attributable to an increase the medical solutions and dental solutions to contract customers and medical services to self-paid patients. The following table sets forth a breakdown of our revenue during FY2014/15 and FY2015/16:

	FY2014/15		FY2015/16	
	HK\$'000	%	HK\$'000	%
Medical solutions to contract customers	48,313	55.6	53,395	57.7
Medical services to self-paid patients	13,142	15.1	15,230	16.5
Dental solutions to contract customers	7,194	8.3	7,839	8.5
Dental services to self-paid patients	18,284	21.0	16,112	17.3
	86,933	100.0	92,576	100.0

Other income

Other income slightly increased approximately 1.3% from approximately HK\$2,234,000 for FY2014/15 to approximately HK\$2,262,000 for FY2015/16, primarily due to an increase in other services income which included commission income from laboratory and other healthcare services providers and dividend income derived from listed equity securities in Hong Kong.

Other gains and losses

Other gain and losses turned from a gain of approximately HK\$0.7 million for FY2014/15 to a loss of approximately HK\$1.3 million, primarily due to (i) a decrease in the fair value of our held-for-trading investments (being listed equity securities in Hong Kong) as a result of the general downturn of the financial markets; and (ii) an increase in loss on written off of property, plant and equipment during FY2015/16.

Medical and dental professional services expenses

Our medical and dental professional services expenses increased by approximately 18% from approximately HK\$38.0 million for FY2014/15 to approximately HK\$44.8 million for FY2015/16, mainly as a result of the combined effect of the following:

- (i) The aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursements to plan members of our contract customers amounted to approximately HK\$32.9 million for FY2014/15 and approximately HK\$34.6 million for FY2015/16, representing an increase of approximately 5.2%. Such increase was mainly due to an increase in the amount of medical services received by plan members through our MediNet Network or reimbursed by us as a result of an increase in our active member of contract customers. The approximately 5.2% increase in the aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursements to plan members was also generally in line with the approximately 10.5% increase in our revenue from the provision of medical solutions to contract customers during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) Fees for engaging external dentists increased by approximately 22.2% from approximately HK\$1.8 million for FY2014/15 to approximately HK\$2.2 million for FY2015/16 as we experienced an increase in demand from self-paid patients for certain secondary dental care services which required the expertise of external dentists specialised in those areas to carry out.
- (iii) Laboratory charges increased by approximately 100% from approximately HK\$3.2 million for FY2014/15 to approximately HK\$6.4 million for FY2015/16 as we experienced an increase in demand from self-paid patients for medical services offered at our MediNet Centres including health assessment services as well as dental services offered at our Dental Clinics, resulting in an increase in our demand for laboratory testing services.
- (iv) Fees to our doctors increased from nil for FY2014/15 to HK\$1.6 million for FY2015/16 due to the changes in employment arrangements between our Group and our Group's doctors pursuant to the MediNet Doctor Agreement effective from 1 November 2015, as defined in the Prospectus. Therefore fees to our Group's doctors were recognised in "Staff cost" and "Medical and dental professional services expenses" before and after such effective date respectively.

Staff cost

Staff cost slightly decreased by approximately 0.7% from approximately HK\$19.6 million for FY2014/15 to approximately HK\$19.5 million for FY2015/16. Due to the changes in employment arrangements between our Group and our Group's doctors pursuant to the MediNet Doctor Agreement effective from 1 November 2015 as discussed above. As a result, fees to MediNet Doctors were recognised in "Staff cost" and "Medical and dental professional services expenses" before and after such effective date respectively. If our Group's doctors fee of HK\$1.6 million had been recognised under staff cost, then the staff cost will increase by approximately HK\$1.5 million, primarily due to a general increase in salaries for the staff during the year.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately 39.2% from approximately HK\$3.7 million for FY2014/15 to approximately HK\$2.2 million for FY2015/16, primarily as a result of the decrease of the carrying amount of property, plant and equipment from approximately HK\$85.5 million as at 31 March 2015 to approximately HK\$1.9 million as at 31 March 2016 due to the disposal of a leasehold property which was completed on 15 October 2015 details of which have been discussed in the Prospectus.

Cost of medical and dental supplies

Cost of medical and dental supplies decreased by approximately 12.7% from approximately HK\$3.3 million for FY2014/15 to approximately HK\$2.9 million for FY2015/16 due to inventories being capitalised increased from nil as at 31 March 2015 to HK\$0.5 million as at 31 March 2016, therefore such amounts for the both periods remained stable.

Rental expenses

Our rental expenses increased by approximately 1.7% from approximately HK\$4.3 million for FY2014/15 to approximately HK\$4.4 million for FY2015/16, mainly due to increase in rental expenses for our Tsim Sha Tsui MediNet Centre, office and Central Dental Clinic as a result of renewal of the respective tenancy agreements during FY2015/16 with increases in rental charges.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

Other expenses increased by 24.2% from approximately HK\$7.0 million for FY2014/15 to approximately HK\$8.7 million for FY2015/16, primarily due to an increase in auditor's remuneration, fee to external websites for our business development initiatives and an increase in our other general administrative expenses as a result of the increased miscellaneous expenses for the listing.

Finance costs

Finance costs decreased by approximately 44.3% from approximately HK\$1.0 million for FY2014/15 to approximately HK\$0.5 million for FY2015/16, mainly due to the decreasing principal amounts of the mortgage loan and finance lease obligation over time after each monthly repayment, coupled with the relatively stable interest rates during the periods.

Listing expenses

For FY2015/16, the Group recognised non-recurring listing expenses of approximately HK\$10.4 million (FY2014/15: HK\$0.3 million) as expenses in connection with the Listing.

Income tax expenses

Our income tax expenses increased from approximately HK\$2.2 million for FY2014/15 to approximately HK\$2.3 million for FY2015/16, mainly due to the effect of non-deductible expenses, e.g. the listing expenses.

Profit/(loss) and total comprehensive income/(loss) for the year

Due to the combined effect of the factors mentioned above including in particular the recognition of significant non-recurring listing expenses of approximately HK\$10.4 million for FY2015/16, we recorded a loss for the year of approximately HK\$2.3 million, which significantly decreased by approximately HK\$12.8 million as compared with profit for the year of approximately HK\$10.5 million in FY2014/15. If the listing expenses of approximately HK\$10.4 million were excluded, we would have recorded a profit for the year of approximately HK\$8.2 million for FY2015/16 which was slightly lower than the profit for the year of approximately HK\$10.5 million for FY2014/15, mainly due to (i) increase in revenue of approximately HK\$5.6 million for the FY2015/16 as compared to the respective period for FY2014/15 as a result of the increase in revenue generated from the provision of medical solutions and partially offset by (ii) the recognition of other losses of approximately HK\$1.3 million for FY2015/16 mainly due to the decrease in the fair value of our held-for-trading listed equity securities (as opposed to other gains of approximately HK\$0.7 million for FY2014/15) as a result of the general downturn of the financial markets during the FY2015/16; and (iii) the relatively moderate increase in medical and dental professional services, staff cost and other expenses for FY2015/16 as compared to the respective period in 2014/15.

Liquidity and financial resources

As at 31 March 2016, the Group had total assets of approximately HK\$47.7 million (2015: approximately HK\$133.1 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$25.2 million (2015: approximately HK\$67.1 million) and approximately HK\$22.6 million (2015: approximately HK\$66.0 million), respectively.

The total interest-bearing loans and borrowings of the Group as at 31 March 2016 were nil (2015: approximately HK\$37.0 million), and current ratio as at 31 March 2016 was approximately 1.8 times (2015: approximately 1.1 times).

For further details regarding the borrowings, please refer to note 24 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

The gearing ratio of the Group as of 31 March 2016 was nil (2015: approximately 59.3%), which remained low as the Group was not in need of any material debt financing during FY2015/16.

The gearing ratio is calculated based on total debts divided by the total equity as at the respective reporting dates.

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2015/16. 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's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of assets

The Group had a leasehold property with the carrying amount of HK\$81,600,000 pledged to secure the bank borrowings of the Group during FY2014/15 and FY2015/16. As at 31 March 2016, the pledge was released upon the completion of disposal of the leasehold property.

Foreign exchange exposure

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For FY2015/16, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

Capital structure

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

As at 31 March 2016, the Company's issued share capital was HK\$1 and the number of its issued ordinary shares was 100 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\$6.4 million as at 31 March 2016 (31 March 2015: approximately HK\$4.7 million). As at 31 March 2016, the Group did not have any capital commitment.

Segment information

Segmental information is presented for the Group as disclosed in note 8 to the consolidated financial statements.

Future plans for material investments and capital assets

Saved as disclosed in the Prospectus and in this report, the Group did not have other plans and material investments or capital assets as of 31 March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the financial year ended 31 March 2016, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the Reorganisation (as defined under note 2 to the consolidated financial statements).

Contingent liabilities

As at 31 March 2016, the Group did not have any material contingent liabilities (2015: Nil).

Significant investments held

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 31 March 2016.

The Company was successfully listed on GEM on the Listing Date by way of the Placing of a total of 260,000,000 new shares in the Company at the placing price of HK\$0.27 each and the net proceeds raised from the Placing were about HK\$47.4 million after deducting the listing-related expenses.

As at the date of this annual report, the Directors do not anticipate any change to the plan as to the use of proceeds and the unutilised proceeds were placed with banks in Hong Kong as short-term deposits.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group had a total of 68 employees, the table below is a breakdown of the number of our employees by functions as at 31 March 2015 and 31 March 2016:

	As at	
	2015	2016
Directors and senior management	6	6
Dental Clinics operation:		
— Dentists	10	10
— Dental Hygienists	4	3
— Dental Nurse	12	14
— Other supporting staff	12	12
MediNet Centres operation:		
— MediNet Doctors (Note 1)	3	—
— Nurses	6	7
— Other supporting staff	3	3
Other supporting staff (Note 2)	10	15
Total (Note 3)	64	68

Note 1: Effective from 1 November 2015, we have ceased to directly employ our Group's doctors and have instead entered into a MediNet Doctor Agreement with each of our three doctors.

Note 2: Other supporting staff include human resources, administration, accounting, information technology and other back-office supporting staff

Note 3: The number of employees in each category does not add up to the total number because 2 of our employees, who were senior management and our Dentists, were included in both categories "Director and senior management" and "Dentists".

MANAGEMENT DISCUSSION AND ANALYSIS

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

Our Group established the remuneration committee on 19 May 2016 with written terms of reference in compliance with Appendix 15 to the GEM Listing Rules and will regularly review 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 Company was successfully listed on GEM on the Listing Date by way of the Placing of a total of 260,000,000 new shares in the Company at the placing price of HK\$0.27 each and the net proceeds raised from the Placing were about HK\$47.4 million after deducting the listing-related expenses.

In line with that disclosed in the Prospectus, the Company intends to apply the net proceeds raised from the Placing as mainly to (i) approximately HK\$12.4 million or 26.2% of the net proceeds for expansion our MediNet Centre and Dental Clinic in Central and Dental Clinic in Tsim Sha Tsui to lease suitable and larger premises in Central and Tsim Sha Tsui for relocation. We also intend to identify and recruit additional qualified and skilled personnel to join our team of professional doctors, dentists, dental hygienists and other medical and dental professional staff; and (ii) approximately HK\$34.2 million or 72.2% to purchase a property in Causeway Bay for relocating our current Dental Clinic in Causeway Bay.

The business objectives, future plans and planned used of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry. As at the date of this annual report, the Directors do not anticipate any change to the plan as to the use of proceeds and the unutilised proceeds were placed with banks in Hong Kong as short-term deposits.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

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

Ms. Jiang Jie

Independent Non-executive Directors

Dr. Lieu Geoffrey Sek Yiu

Mr. Leung Po Hon

Mr. Wong Wai Leung

Board of Directors

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

Executive Directors

Mr. CHAN Chi Wai Nelson (陳志偉), aged 59, is the chairman of the Board, an executive Director, our compliance officer and one of our Controlling Shareholders. He is responsible for the overall business development and financial and strategic planning of our Group. He was appointed as a Director on 20 August 2015 and was re-designated as our executive Director, chairman of the Board and compliance officer on 19 May 2016 for an initial term of 3 years commencing on the Listing Date. He is also a director of MediNet Services, Well Being Dental, MediNet Health Centre, Men's Health Solutions and MediNet BVI.

Mr. Chan has over 32 years of experience in the corporate medical and dental solutions industry in Hong Kong. Prior to founding our Group in 1994, Mr. Chan had been employed by Bupa Ltd (at which his last position was manager) from 1983 to 1988 and HSBC Medical Insurance Limited (formerly known as Carlingford Medical Insurance Limited) (at which his last position was Medical Insurance Consultant) from 1989 to 1993. Mr. Chan is the spouse of Ms. Jiang, an executive Director.

Ms. JIANG Jie (姜洁), aged 34, is an executive Director and is principally responsible for our business development and customer relationship management. Ms. Jiang was appointed as a Director on 20 August 2015 and was re-designated as our executive Director on 19 May 2016 for an initial term of 3 years commencing on the Listing Date. She is also a director of MediNet Services, MediNet Health Centre, Men's Health Solutions and MediNet BVI.

Ms. Jiang attended Shandong Province Qingdao The 16th Secondary School (山东省青岛第十六中学) in the People's Republic of China from September 1994 to July 1997 and obtained a certificate of graduation (毕业证书) from it in July 1997. She also attended Shandong Province Wuzi School (山东省物资学校) (which was merged into University of Jinan (济南大学) in April 2001) in the People's Republic of China from September 1997 to July 2000 with a major in corporate management (企业管理) and obtained a certificate of graduation (毕业证书) from it in July 2000.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Jiang joined our Group in September 2009 and has since then accumulated more than 6 years of experience in the operation of our Group. Since joining our Group, Ms. Jiang has been in charge of our business development and customer relationship management, including but not limited to the liaison with existing and potential customers as well as other business development activities such as our corporate websites operation and the distribution of brochures and pamphlets in our MediNet Centres and Dental Clinics. Ms. Jiang is the spouse of Mr. Chan.

Independent Non-executive Directors

Dr. LIEU Geoffrey Sek Yiu (廖錫堯), aged 66, was appointed as an independent non-executive Director on 19 May 2016. Dr. Lieu is the founder and a Chairman Emeritus of the Institute for Health Policy and Systems Research, a non-profit independent organization established in 1997 which aims to promote, conduct and exchange timely information on health services and policy research in Hong Kong. From January 2002 to December 2014, Dr. Lieu was the Chairman of Hong Kong Healthcare Corporation Limited. From January 1991 to June 2000, Dr. Lieu was the Deputy Director (Management) of the Hong Kong Hospital Authority, a statutory body established under the Hospital Authority Ordinance (Chapter 113 of the Laws of Hong Kong) in 1990.

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

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

Mr. LEUNG Po Hon (梁寶漢), aged 52, was appointed as an independent non-executive Director on 19 May 2016. Mr. Leung is currently a practicing director of Poon and Tong C.P.A. Limited, which he joined in 2001. Mr. Leung was admitted as a member of the HKICPA in January 1993 and a fellow member of the Association of Chartered Certified Accountants since January 1997.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

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
Success Dragon International Holdings Limited	1182	Independent non-executive director	16 July 2015
Flying Financial Service Holdings Limited	8030	Independent non-executive director	15 August 2014
Kingbo Strike Limited	1421	Independent non-executive director	13 November 2015
Winfoong International Limited	63	Independent non-executive director	6 November 2015

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

Company	Stock code	Position previously held by Mr. Leung	Appointment date	Resignation date
China Investment Fund Company Limited	612	Independent non-executive director	1 May 2015	9 May 2016

Mr. WONG Wai Leung (黃偉樑), aged 38, 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Senior management

The following are the senior management team of our Group:

Ms. LI Christine (李依皓), aged 42, is our general manager and is primarily responsible for the overall management of our Group's day-to-day operations and the implementation of our business strategies. She joined our Group in August 1995 and has since then accumulated more than 20 years of experience in the operation of our Group. Ms Li has received a degree of Bachelor of Social Science from the Chinese University of Hong Kong in December 1995. She has not held any directorships in any public listed companies in the past three years.

Ms. NGAN Pui Shan, Jane (顏佩珊), aged 41, is our financial controller. She is primarily responsible for our financial reporting, financial planning, treasury, financial control and overall company secretarial matters. She joined our Group in September 1996 and has since then accumulated more than 19 years of experience in our Group's operation. Ms. Ngan received a Bachelor of Arts (Honours) degree in Accounting from Edinburgh Napier University in Scotland in April 2004 through distance learning. She also received a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2015. She has been a member of the Association of Chartered Certified Accountants since May 2012. She has not held any directorships in any public listed companies in the past three years.

Ms. CHUNG Mei Shu, Pinky (鍾美舒), aged 45, is one of our Dentists and a director of Well Being Dental. She is primarily responsible for the operation of our Dental Clinics and the provision of dental services. She joined our Group in October 1996 and has since then accumulated more than 19 years of experience in the operation of our Group. She has been a Registered Dental Practitioner since August 1995. She is also an ordinary member of The Hong Kong Dental Association Limited. Ms. Chung obtained a degree of Bachelor of Dental Surgery from The University of Hong Kong in November 1995. She has not held any directorships in any public listed companies in the past three years.

Mr. WONG Siu Kay (黃兆基), aged 45, is one of our Dentists and a director of Well Being Dental. He is primarily responsible for the operation of our Dental Clinics and the provision of dental services. He joined our Group in July 1997 and has since then accumulated more than 18 years of experience in the operation of our Group. He has been a Registered Dental Practitioner since August 1996. Mr. Wong obtained a degree of Bachelor of Dental Surgery from The University of Hong Kong in November 1996. He has not held any directorships in any public listed companies in the past three years.

Company Secretary

Mr. LEUNG Man Fai (梁文輝), aged 58, was appointed as the company secretary of our Company on 22 November 2015. Mr. Leung graduated from Manchester Polytechnic, the United Kingdom with a degree of Bachelor of Arts in Accounting and Finance awarded by the Council for National Academic Awards of the United Kingdom in July 1988. He also obtained a degree of Master of Commerce in Accounting from the University of New South Wales in May 1990. Mr. Leung has been the director of IBC Certified Public Accountants Limited since August 2008 up to the present. He was the executive director, finance manager and company secretary of Lerado Group (Holding) Company Limited (which is listed on the Stock Exchange with stock code 1225) from July 1995 to August 2014. He was previously employed by Chewy International Foods Ltd. as a financial controller from January 1993 to January 1995. Mr. Leung has been a member of the HKICPA since June 1991.

CORPORATE GOVERNANCE REPORT

Pursuant and Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Group for the year ended 31 March 2016.

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

INTRODUCTION

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

BOARD OF DIRECTORS

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Composition

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

Executive Directors

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

Ms. Jiang Jie

Independent non-executive Directors

Dr. Lieu Geoffrey Sek Yiu

Mr. Leung Po Hon

Mr. Wong Wai Leung

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

The biographical details of the Directors and their relationship (if any) are set out in the section headed “Directors and Senior Management Profile” on pages 13 to 16 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 the Prospectus and 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 on 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 is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive directors.

DIRECTORS' SECURITIES TRANSACTIONS

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

Directors' training and continuing professional development

Each of the Directors should keep abreast of the responsibilities as a Director, and of the conduct, business activities and developments of the Company.

Directors are aware of the provision A.6.5 of the Code, regarding continuing professional development programme for directors. For the year ended 31 March 2016, all Directors participated in the training regarding director responsibilities and duties by the Company's legal advisers in relation to the Listing. Such programmes were related to corporate governance, listed company and director's continuing obligations.

Board Meetings and Shareholders' Meetings

Attendance and Number of Board meetings

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

The Company was listed on 31 May 2016, therefore for the year ended 31 March 2016, the Board did not hold regular meetings to discuss the Group's affairs, review and approve finance and operating performances, and consider and approve the Group's strategies and policies for the year ended 31 March 2016.

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.

CORPORATE GOVERNANCE REPORT

Board documents together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meetings to keep the Directors apprised of the latest development and financial position of the Company and to enable them to make informed decisions. The Board and each Directors 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 Appendix 15 to the GEM Listing Rules states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Chi Wai Nelson is the chairman of the Board and also our executive director who is responsible under the immediate authority of the Board of the conduct of the business of our Group and is therefore our chief executive for the purpose of the GEM Listing Rules.

Mr. Chan has been managing our Group's business and the overall financial and strategic planning since 1994. The Board believes that the vesting of the roles of Chairman and Chief executive in Mr. Chan is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors 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, our Company has not segregated the roles of its Chairman and chief executive as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

BOARD COMMITTEES

The Board established three committee 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 Committee has sufficient resources to perform its duties and are able to seek independent professional advice in appropriate circumstances at the Company's expense.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

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

REMUNERATION COMMITTEE

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

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

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

COMPANY SECRETARY

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

Mr. Leung is going to comply with the relevant professional training requirements under Rule 5.15 of the GEM Listing Rules starting from the financial year 2016, as the Company only became listed on GEM on 31 May 2016. His biographical details are set out in the section headed "Directors and Senior Management Profile" on page 16 of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the financial statements for the year ended 31 March 2016.

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

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

INTERNAL CONTROL

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

CORPORATE GOVERNANCE REPORT

ROLE OF COMPLIANCE OFFICER

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

EXTERNAL AUDITOR'S REMUNERATION

During the year ended 31 March 2016, the Company engaged Deloitte Touche Tohmatsu as the external auditors. Apart from providing audit services, Deloitte Touche Tohmatsu also provided non-audit services in connection with the Group's listing on GEM. The fees in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 March 2016 approximately amounted to HK\$750,000 and HK\$3,423,000 respectively. The reporting responsibilities of Deloitte Touche Tohmatsu are set out in the Independent Auditor's Report on page 31 to 32 of this report.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

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

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

Right to put forward proposals at general meeting

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

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

Right to make enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 7/F, KP Tower, 93 King's Road, North Point. Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

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

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

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

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

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

REPORT OF THE DIRECTORS

The Board of Directors of the Company is pleased to present their first report and the audited consolidated financial statements of the Group for the year ended 31 March 2016.

CORPORATE REORGANISATION

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

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

PRINCIPAL ACTIVITIES

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

ENVIRONMENTAL POLICIES

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

COMPLIANCE OF LAWS AND REGULATIONS

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

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 March 2016 is set out in the consolidated statement of profit or loss and other comprehensive income on page 33 of this report and the financial position of the Group as at 31 March 2015 are set out in the consolidated statement of financial position on page 34 of this report.

The Board recommends the payment of a final dividend of HK0.12 cent per share of the Company for the year ended 31 March 2016, to the shareholders of the Company whose names are on the register of members on 22 August 2016, subject to the approval by shareholders at the forthcoming annual general meeting of the Company to be held on 12 August 2016 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for 12 August 2016. 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 10 August 2016 to 12 August 2016, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 August 2016.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the annual general meeting. The record date for entitlement to the proposed final dividend is 22 August 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 18 August 2016 to 22 August 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on 17 August 2016. The payment of final dividend will be made on or about 2 September 2016.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2016, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

GOING CONCERN

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 March 2016 are set out in note 17 to the consolidated financial statements.

BANK BORROWINGS

As at 31 March 2016, we did not have any short-term or long-term bank borrowings.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2016 are set out in note 27 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 36 of the consolidated statement of changes in equity of this report.

CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2016, the Group made HK\$1,200 charitable contributions.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, no significant events have taken place subsequent to 31 March 2016 and up to the date of this report.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

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

MAJOR CUSTOMERS

During the year ended 31 March 2016, sales to the Group's five largest customers accounted for approximately {33%} of total sales and sales to the largest customer included therein amounted to approximately 10.9% of total sales.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 March 2016.

DIRECTORS

The Directors during the year ended 31 March 2016 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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 16 of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during or at the end of the year ended 31 March 2016.

As of 31 March 2016, no contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 March 2016.

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year ended 31 March 2016.

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.

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

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

As at 31 March 2016, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company

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

Notes:

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

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2016, none of the Directors or chief executive of the Company had any interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

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

Long positions in ordinary shares of the Company

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

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

Save as disclosed above, as at 31 March 2016, none of the substantial shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

A full corporate governance report is set out on pages 17 to 24 of this report.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

INTEREST OF THE COMPLIANCE ADVISER

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

AUDITOR

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

On behalf of the Board
Chan Chi Wai, Nelson
Chairman

Hong Kong, 28 June 2016

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF MEDINET GROUP LIMITED

醫匯集團有限公司

(incorporated in the Cayman Islands with limited liability)

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 31 to 83, which comprise the consolidated statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Revenue	8	92,576	86,933
Other income	9	2,262	2,234
Other gains and losses	10	(1,301)	717
Medical and dental professional services expenses	12	(44,803)	(37,960)
Staff costs	12	(19,496)	(19,637)
Depreciation of property, plant and equipment		(2,224)	(3,656)
Cost of medical and dental supplies		(2,900)	(3,320)
Rental expenses		(4,395)	(4,323)
Other expenses		(8,684)	(6,994)
Finance costs	11	(534)	(958)
Listing expenses		(10,443)	(300)
Profit before taxation	12	58	12,736
Income tax expense	13	(2,314)	(2,187)
(Loss) profit for the year		(2,256)	10,549
Other comprehensive income (expense)			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Surplus on revaluation of a land and building		1,652	9,031
Deferred tax arising from revaluation of a land and building		–	(1,340)
Other comprehensive income for the year		1,652	7,691
Total comprehensive (expense) income for the year attributable to owners of the Company		(604)	18,240
(Loss) earnings per share — Basic (Hong Kong cents)	16	(0.29)	1.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	17	1,896	85,515
Rental deposits	20	652	883
Deferred tax assets	26	83	31
		2,631	86,429
Current assets			
Inventories	18	504	–
Held-for-trading investments	19	3,413	4,583
Accounts and other receivables	20	18,133	12,143
Amount due from a director	21	660	–
Amounts due from related parties	21	352	19,394
Bank balances and cash	22	22,054	10,525
		45,116	46,645
Current liabilities			
Accounts and other payables	23	24,550	18,972
Amount due to a director	21	–	1,496
Amount due to a related party	21	–	522
Bank borrowings	24	–	19,136
Obligation under a finance lease	25	–	88
Taxation payable		602	911
		25,152	41,125
Net current assets		19,964	5,520
Total assets less current liabilities		22,595	91,949
Non-current liabilities			
Bank borrowings	24	–	17,902
Deferred tax liabilities	26	1	8,032
		1	25,934
Net assets		22,594	66,015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	NOTE	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	27	– ⁺	20,510
Reserves		22,594	45,505
Total equity		22,594	66,015

⁺ Less than HK\$1,000

The consolidated financial statements on pages 31 to 83 were approved and authorised for issue by the directors on 28 June 2016 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 2016

	Share capital HK\$'000	Other reserve HK\$'000 (note a)	Special reserve HK\$'000	Property revaluation reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
At 1 April 2014	20,510	(1,253)	–	37,076	(8,558)	47,775
Profit for the year	–	–	–	–	10,549	10,549
Surplus on revaluation of a land and building	–	–	–	9,031	–	9,031
Deferred tax arising from revaluation of a land and building	–	–	–	(1,340)	–	(1,340)
Total comprehensive income for the year	–	–	–	7,691	10,549	18,240
At 31 March 2015	20,510	(1,253)	–	44,767	1,991	66,015
Loss for the year	–	–	–	–	(2,256)	(2,256)
Surplus on revaluation of a land building	–	–	–	1,652	–	1,652
Total comprehensive income (expense) for the year	–	–	–	1,652	(2,256)	(604)
Issue of shares of Medinet (BVI) (note 2(a))	5	–	–	–	–	5
Effect of reorganisation (note b)	(20,515)	–	20,515	–	–	–
Reversal of previously recognised deferred tax of a leasehold property upon disposal	–	–	–	8,178	–	8,178
Realisation of property revaluation reserve upon disposal of a land and building	–	–	–	(54,597)	54,597	–
Dividend (note 15)	–	–	–	–	(51,000)	(51,000)
At 31 March 2016	+*	(1,253)	20,515	–	3,332	22,594

* Less than HK\$1,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

Notes:

- (a) In November 2012, the Group advanced a three-year unsecured, interest-free loan with principal amount of HK\$13,663,000 to MediNet Holdings Limited (“MediNet Holdings”), the then holding company of Well Being Dental Services Limited (“Well Being”), Medinet Services Limited (“Medinet Services”) and Medinet Health Centre Limited (“Medinet Health Centre”) of which Mr. Chan Chi Wai, Nelson (“Mr. Chan”) was the ultimate owner and the controlling shareholder (“Controlling Shareholder”). The interest-free loan was initially measured at its fair value of HK\$12,410,000 at an effective interest rate of 3.25% per annum and subsequently carried at amortised cost using effective interest method, resulting in an imputed interest income of HK\$312,000 (2015: HK\$422,000) recognised in profit or loss for the year ended 31 March 2016. The fair value adjustment of HK\$1,253,000 at initial recognition of the interest-free loan were recognised in equity as deemed distribution to shareholder. The loan has been settled during the year ended 31 March 2016 through various arrangements as described in note 32.
- (b) Amount represents (i) the difference between the nominal value of the share capital issued by Medinet (BVI) Limited (“Medinet (BVI)”) for the acquisition of the entire equity interests in Well Being, Medinet Services, Medinet Health Centre and Men’s Health Solutions Limited (“Men’s Health Solutions”) (collectively referred as the “Hong Kong Subsidiaries”) and the nominal value of share capital of the Hong Kong Subsidiaries; and (ii) the difference between the nominal value of the share capital issued by the Company for the acquisition of the entire equity interests in Medinet (BVI) and the nominal value of share capital of Medinet (BVI).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	58	12,736
Adjustments for:		
Interest income	(313)	(424)
Depreciation of property, plant and equipment	2,224	3,656
Finance costs	534	958
Dividend income	(139)	(51)
Unrealised loss (gain) on fair value change of held-for-trading investments	1,170	(617)
Loss on written off of property, plant and equipment	131	–
Operating cash flows before movements in working capital	3,665	16,258
Increase in inventories	(504)	–
Increase in held-for-trading investments	–	(3,307)
(Increase) decrease in accounts and other receivables	(2,694)	2,124
Increase in accounts and other payables	5,578	926
Cash generated from operations	6,045	16,001
Hong Kong Profits Tax paid	(2,528)	(1,876)
NET CASH FROM OPERATING ACTIVITIES	3,517	14,125
INVESTING ACTIVITIES		
Advances to related parties	(4,011)	(4,890)
Advance to a director	(660)	–
Purchase of property, plant and equipment	(584)	(1,235)
Repayments from related parties	–	707
Repayment from a director	20,155	–
Dividend received	139	51
Interest received	1	2
NET CASH FROM (USED IN) INVESTING ACTIVITIES	15,040	(5,365)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
FINANCING ACTIVITIES		
Advance from a director	225	478
Issue of shares	5	–
New bank borrowings raised	–	1,896
Listing expenses	(3,065)	–
Repayments of bank borrowings	(2,202)	(2,674)
Repayment to a director	(1,332)	(5,402)
Interest paid	(534)	(958)
Repayment of finance lease obligation	(88)	(343)
Repayments to related parties	(37)	(447)
NET CASH USED IN FINANCING ACTIVITIES	(7,028)	(7,450)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,529	1,310
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	10,525	9,215
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	22,054	10,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 34.

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

2. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

- (a) On 12 August 2015, Medinet (BVI) was incorporated in BVI with limited liability with an issued share capital of US\$600 divided into 600 ordinary shares, issued to Medinet International for cash.
- (b) On 20 August 2015, the Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, the Company had an authorised share capital of HK\$390,000 divided into 39,000,000 ordinary shares, of which one subscriber share was allotted and issued and such one share was transferred to Medinet International on the same date.
- (c) On 28 August 2015, Medinet (BVI) acquired 99.9998% and 0.0002% of the issued share capital of Medinet Health Centre from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.
- (d) On 28 August 2015, Medinet (BVI) acquired 99.99999% and 0.00001% of the issued share capital of Medinet Services from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

- (e) On 28 August 2015, Medinet (BVI) acquired 99.99999% and 0.00001% of the issued share capital of Well Being from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.
- (f) On 28 August 2015, Medinet (BVI) acquired 100% of the issued share capital of Men's Health Solutions from Mr. Chan in consideration of 100 shares of Medinet (BVI) allotted to Medinet International (as a nominee of Mr. Chan).
- (g) On 28 October 2015, Medinet International entered into a sale and purchase agreement with NSD Capital Limited ("NSD Capital"), an independent third party, pursuant to which Medinet International transferred 250 shares of Medinet (BVI) to NSD Capital at a cash consideration of HK\$45,000,000. Upon completion of the transfer, Medinet (BVI) is owned as to 75% by Medinet International and 25% by NSD Capital.
- (h) On 11 November 2015, Medinet International and NSD Capital transferred 750 shares and 250 shares of Medinet (BVI) to the Company, in consideration of the Company allotted and issued 74 shares and 25 shares, all credited as fully paid, to Medinet International and NSD Capital, respectively.

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

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows which include the results, changes in equity and cash flows of the companies now comprising the Group for the years ended 31 March 2015 and 2016 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended 31 March 2015 and 2016, or since the respective date of incorporation of the relevant entity where this is a shorter period.

The consolidated statement of financial position as at 31 March 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date, taking into account the respective date of incorporation of the relevant entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has consistently adopted all HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for annual periods beginning on 1 April 2015 for both current and prior years.

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

HKFRS 9 “Financial Instruments” *(Continued)*

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group’s financial assets, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 “Revenue from Contracts with Customers”

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 28, total operating lease commitments of the Group in respect of rental premises at 31 March 2016 amounted to HK\$6,404,000 (2015: HK\$4,693,000). The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group’s result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group’s financial position and financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for a property and certain financial instruments that are measured at revalued amounts or fair values, as appropriate and 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.

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

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

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.

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Merger accounting for business combination involving entities under common control

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

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

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

Revenue recognition

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

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above).

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

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

Leasehold land and building

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 7.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For certain categories of financial assets, such as accounts receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio passed the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

Classification as debt or 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 the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities

Financial liabilities, including accounts and other payables, amounts due to a director and a related party and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

The 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.

Provisions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Retirement benefit costs

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

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

Fair value measurement of leasehold property

The Group's leasehold property is measured at revalued amount for financial reporting purposes. In estimating the fair value of the leasehold property, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the leasehold property. The detailed information about the valuation techniques used in the determination of the fair value of the leasehold property is disclosed in note 17.

Impairment of accounts and other receivables and amounts due from a director and related parties

In determining whether there is objective evidence of impairment loss, the directors of the Company take into consideration of the financial strength of the counterparties, the credit history of the customers and the current market condition. When there is objective evidence for a receivable that may be impaired, the amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The directors of the Company reassess the adequacy of impairment on a regular basis.

Where the actual cash flows are less than expected, material impairment loss may arise. The carrying amounts of the accounts and other receivables and amounts due from a director and related parties are disclosed in notes 20 and 21 respectively.

Recognition of deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable temporary difference and taxable profit will be available against which the losses and credits can be utilised. Significant judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. As at 31 March 2016, the carrying amounts of deferred tax assets are HK\$83,000 (2015: HK\$31,000).

Further details are disclosed in note 26.

Annual retainer contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

Annual retainer contracts *(Continued)*

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

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

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which include bank borrowings disclosed in note 24 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 associate 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.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	36,863	41,714
Fair value through profit or loss		
— held-for-trading investments	3,413	4,583
Financial liabilities		
Amortised cost	9,957	50,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, accounts and other receivables, amounts due from a director and related parties, bank balances and cash, accounts and other payables, amounts due to a director and a related party, obligation under a finance lease and bank borrowings. 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.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk relates primarily to variable-rate bank deposits and bank borrowings (see notes 22 and 24 respectively) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's Hong Kong dollar denominated bank borrowings.

Sensitivity analysis

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

For sensitivity analysis on interest rates for variable-rate bank borrowings, the analysis is prepared assuming that the amount of liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease represent the management's assessment of the reasonable possible change in interest rates of bank borrowings.

If interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2015 would decrease/increase by approximately HK\$155,000.

No sensitivity analysis on variable-rate bank borrowings is presented as at 31 March 2016 as the Group has no outstanding bank borrowings at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk

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

Credit risk

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

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

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

The directors of the Company consider that the credit risk on amounts due from related parties and a director 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 and a director having a good financial standing.

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

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. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

7. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 6 months HK\$'000	6 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 March 2016								
Accounts and other payables	-	9,957	-	-	-	-	9,957	9,957
At 31 March 2015								
Accounts and other payables	-	11,494	-	-	-	-	11,494	11,494
Amount due to a director	-	1,496	-	-	-	-	1,496	1,496
Amount due to a related party	-	522	-	-	-	-	522	522
Bank borrowings — variable-rate	2.60	18,766	779	1,559	4,676	14,423	40,203	37,038
Obligation under a finance lease	2.00	88	-	-	-	-	88	88
		32,366	779	1,559	4,676	14,423	53,803	50,638

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The bank borrowings with a repayment on demand clause were also included in the “on demand or less than 6 months” time band in the above maturity analysis. As at 31 March 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$17,987,000. Taking into account the Group’s financial position, the directors of the Company did not believe that it was probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believed that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in bank borrowings agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$18,480,000 at 31 March 2015.

	On demand or less than 6 months HK\$'000	6 months to 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 March 2015	11,781	1,750	1,657	3,292	18,480	17,987

Fair value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

7. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position

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

Financial assets	2016	Fair value as at 2015	Fair value hierarchy	Valuation technique
Held-for-trading investments (note 19)	Listed equity securities — Insurance industry — HK\$574,000 — Pharmaceutical industry — HK\$280,000 — Banking industry — HK\$1,089,000 — Telecommunication industry — HK\$1,470,000	Listed equity securities — Insurance industry — HK\$1,019,000 — Pharmaceutical industry — HK\$427,000 — Banking industry — HK\$1,417,000 — Telecommunication industry — HK\$1,720,000	Level 1	Quoted bid prices in an active market.

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

8. REVENUE AND SEGMENT INFORMATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

Year ended 31 March 2016

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

8. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Year ended 31 March 2015

	Dental solutions and dental services HK\$'000	Medical solutions and medical services HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
SEGMENT REVENUE					
External revenue	25,478	61,455	86,933	–	86,933
Inter-segment revenue	792	–	792	(792)	–
Segment revenue	26,270	61,455	87,725	(792)	86,933
Segment profit	5,217	9,025	14,242		14,242
Unallocated expenses					(3,051)
Unallocated income					2,086
Unallocated gain					717
Finance costs					(958)
Listing expenses					(300)
Profit before taxation					12,736
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	606	821	1,427		1,427

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

8. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

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

Revenue from type of services

	2016 HK\$'000	2015 HK\$'000
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical services	53,395	48,313
Dental services	7,839	7,194
Provision of healthcare services to self-paid patients, which refer to individual patients who visit the medical centres or dental clinics run by the Group and pay out of their own expenses:		
Medical services	15,230	13,142
Dental services	16,112	18,284
	92,576	86,933

Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A ¹	8,315	9,456
Customer B ²	10,051	8,925

¹ Revenue from the provision of dental and medical solutions

² Revenue from the provision of medical solutions

Geographical information

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

9. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Other service income (note)	1,660	1,609
Dividend income	139	51
Imputed interest income	312	422
Bank interest income	1	2
Credit card rebate	148	148
Others	2	2
	2,262	2,234

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

10. OTHER GAINS AND LOSSES

	2016 HK\$'000	2015 HK\$'000
(Loss) gain on fair value change of held-for-trading investments	(1,170)	717
Loss on written off of property, plant and equipment	(131)	–
	(1,301)	717

11. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on:		
Bank borrowings	299	515
Mortgage loan	234	433
Finance lease	1	10
	534	958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

12. PROFIT BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 14)	–	–
Salaries and allowance for staff excluding directors	18,911	19,047
Retirement benefit schemes contributions for staffs excluding directors	585	590
Total staff costs (note ii)	19,496	19,637
Medical and dental professional services expenses (note i)	44,803	37,960
Cost of inventories recognised as an expense	2,900	3,320
Minimum lease payment in respect of rental premises	4,395	4,323
Auditor's remuneration	950	500

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.

13. INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Current tax	2,230	1,961
Overprovision in prior year	(11)	–
Deferred tax (note 26)	2,219	1,961
	95	226
	2,314	2,187

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

13. INCOME TAX EXPENSE (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	58	12,736
Tax at Hong Kong Profits Tax rate of 16.5%	10	2,101
Tax effect of expenses not deductible for tax purposes	2,225	253
Tax effect of income not taxable for tax purposes	(85)	(97)
Overprovision in prior year	(11)	–
Tax concession	(80)	(70)
Tax effect of disposal of leasehold property	255	–
Income tax expense for the year	2,314	2,187

Details of deferred taxation are set out in note 26.

14. 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 11 November 2015. Mr. Chan was the chief executive of the Company.

Directors and Chief Executive

During the years ended 31 March 2016 and 2015, no emoluments were paid by the group entities to the directors of the Company and the chief executive of the Company as fees, salaries and allowances, performance related incentive payments and retirement benefit schemes contributions.

Employees

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

	2016 HK\$'000	2015 HK\$'000
Salaries and allowances	4,187	5,526
Contributions to retirement benefit scheme	83	88
	4,270	5,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

Employees (Continued)

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

	2016	2015
Nil to HK\$1,000,000	4	2
HK\$1,000,001 to HK\$1,500,000	1	3
	5	5

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

15. DIVIDENDS

The final dividend of HK0.12 cent per share based on 1,040,000,000 ordinary shares amounting to approximately HK\$1,287,000 in respect of the year ended 31 March 2016 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed final dividend is not recognised as a liability in these consolidated financial statements.

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

16. (LOSS) EARNINGS PER SHARE

	2016 HK\$'000	2015 HK\$'000
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share for the year	(2,256)	10,549
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	780,000	780,000

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue (as disclosed in note 35(a)) had been effective on 1 April 2014.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property HK\$'000	Leasehold improvements HK\$'000	Professional equipments HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST/VALUATION						
At 1 April 2014	74,200	6,913	7,221	4,464	3,642	96,440
Additions	–	996	116	123	–	1,235
Surplus on valuation	7,400	–	–	–	–	7,400
Written off	–	(343)	–	–	–	(343)
At 31 March 2015	81,600	7,566	7,337	4,587	3,642	104,732
Comprising						
At cost	–	7,566	7,337	4,587	3,642	23,132
At valuation — 31 March 2015	81,600	–	–	–	–	81,600
	81,600	7,566	7,337	4,587	3,642	104,732
At 1 April 2015	81,600	7,566	7,337	4,587	3,642	104,732
Additions	–	238	212	134	–	584
Surplus on valuation	1,041	–	–	–	–	1,041
Eliminated on written off	–	(62)	–	(1,113)	–	(1,175)
Eliminated on disposals	(82,641)	(3,314)	–	–	–	(85,955)
At 31 March 2016	–	4,428	7,549	3,608	3,642	19,227
DEPRECIATION						
At 1 April 2014	–	4,782	6,659	3,442	2,652	17,535
Provided for the year	1,631	993	281	421	330	3,656
Eliminated on written off	–	(343)	–	–	–	(343)
Eliminated on revaluation	(1,631)	–	–	–	–	(1,631)
At 31 March 2015	–	5,432	6,940	3,863	2,982	19,217
Provided for the year	611	681	289	313	330	2,224
Eliminated on written off	–	(61)	–	(983)	–	(1,044)
Eliminated on disposals	–	(2,455)	–	–	–	(2,455)
Eliminated on revaluation	(611)	–	–	–	–	(611)
At 31 March 2016	–	3,597	7,229	3,193	3,312	17,331
CARRYING VALUES						
At 31 March 2016	–	831	320	415	330	1,896
At 31 March 2015	81,600	2,134	397	724	660	85,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

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

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

The Group's leasehold property is situated in Hong Kong under medium-term lease.

The leasehold property with carrying amount of HK\$81,600,000 as at 31 March 2015 was pledged to secure the mortgage loan and other banking facilities of the Group.

If the leasehold property had not been revalued, it would have been included in the consolidated financial statements at historical cost less accumulated depreciation and its carrying amount would have been approximately HK\$32,040,000 as at 31 March 2015.

Fair value measurement of the Group's leasehold property

The fair value of the Group's leasehold property had been arrived at on the basis of valuation carried out at 31 March 2015 by the following independent qualified professional valuer, which was not connected with the Group. The valuation was arrived at by reference to recent market prices for similar properties in similar locations and conditions.

Name of valuer	Address
Asset Appraisal Limited	Room 901, 9/F, On Hong Commercial Building, 145 Hennessy Road, Wan Chai, Hong Kong

There were no transfers between different levels of fair value hierarchy during the year ended 31 March 2015.

In estimating the fair value of the leasehold property, the highest and best use of the property was their current use.

In estimating the fair value of the Group's leasehold property, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages a third party qualified valuer to perform the valuation of the Group's leasehold property. At the end of each year, the management works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the asset, the causes of the fluctuations will be reported to the directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

Fair value measurement of the Group's leasehold property *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3) as at 31 March 2015:

Description	Valuation technique	Significant unobservable inputs	Sensitivity
Leasehold property in Hong Kong	Direct comparison method The key input: (i) price per square feet	Price per square feet, using direct market comparables and taking into account of time, and individual factors such as size and landscape view, of HK\$31,423	An increase in the price per square feet used would result in a same percentage increase in the fair value measurement of the leasehold property, and vice versa

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

18. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Pharmaceutical products	504	–

19. HELD-FOR-TRADING INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Listed equity securities in Hong Kong	3,413	4,583

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

20. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	2016 HK\$'000	2015 HK\$'000
Accounts receivables	9,598	10,238
Other receivables		
— Other receivables	4,199	1,557
— Prepayments	3,465	246
— Rental and utility deposits	1,523	985
Total accounts and other receivables	18,785	13,026
Less: Receivables within twelve months shown under current assets	(18,133)	(12,143)
Rental deposits shown under non-current assets	652	883

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

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

	2016 HK\$'000	2015 HK\$'000
Within 30 days	4,092	5,555
31 to 60 days	3,615	2,566
61 to 90 days	1,046	1,641
91 to 180 days	845	476
	9,598	10,238

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 2016, included in the Group’s accounts receivables balance are debtors with aggregate carrying amounts of HK\$845,000 (2015: HK\$476,000) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

20. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS (Continued)

Age of receivables that are past due but not impaired

	2016 HK\$'000	2015 HK\$'000
Overdue by:		
1 to 30 days	845	450
31 to 60 days	–	26
	845	476

21. AMOUNTS DUE FROM (TO) A DIRECTOR AND RELATED PARTIES

Amounts due from (to) a director and related parties which are non-trade nature are as follows:

	As at 31 March 2016 HK\$'000	As at 31 March 2015 HK\$'000	As at 1 April 2014 HK\$'000	Maximum balance outstanding during the year ended	
				2016 HK\$'000	2015 HK\$'000
Amounts due from related parties					
— current, unsecured and interest-free					
Unicare Limited ²	–	2,924	1,717	2,924	2,924
Medinet International ¹	–	51	46	55	51
Daily Wise ¹	–	18	13	38	18
MediNet Holdings	352	13,515	27	13,735	13,515
Times Insurance Consultants Limited ¹	–	2,886	–	6,613	2,886
	352	19,394	1,803		
Amount due from a director					
Mr. Chan	660	–	–	660	–
				2016 HK\$'000	2015 HK\$'000
Amount due to a director					
Mr. Chan				–	1,496
Amount due to a related party					
Synergy Health Care Limited (“Synergy Health Care”) ²				–	522

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

21. AMOUNTS DUE FROM (TO) A DIRECTOR AND RELATED PARTIES (Continued)

At 31 March 2016, the amounts due from a related party and a director outstanding are unsecured, interest-free and repayable on demand and have been recovered in full subsequent to 31 March 2016.

At 31 March 2015, including in the amounts due from related parties, a balance amounted to HK\$12,986,000, represented the three-year unsecured and interest-free loan advanced by the Group to MediNet Holdings. Except from this, the amounts due from (to) related parties and a director are unsecured, interest-free and repayable on demand. No collateral is held over these balances by the Group. Through various arrangement, the amounts due from (to) related parties and amount due to a director outstanding as at 31 March 2015 were settled in full on 27 November 2015 with details described in note 32.

22. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rate of 0.01% (2015: 0.01%) per annum.

23. ACCOUNTS AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Accounts payables	9,032	11,127
Other payables	925	367
Receipt in advance	9,534	5,196
Accrued expenses	5,059	2,282
	24,550	18,972

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

The following is an aged analysis of accounts payables based on the invoice date at the end of each year.

	2016 HK\$'000	2015 HK\$'000
Within 30 days	3,479	2,997
31 to 60 days	2,889	2,573
61 to 90 days	2,485	3,003
91 to 180 days	179	2,554
	9,032	11,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

24. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Bank borrowings	–	17,987
Mortgage loan (note i)	–	19,051
	–	37,038
Secured (note i)	–	35,224
Unsecured	–	1,814
	–	37,038
Guaranteed	–	37,038
Carrying amounts repayable (note ii)		
Within one year	–	1,149
More than one year, but not exceeding two years	–	1,177
More than two years, but not exceeding than five years	–	3,688
More than five years	–	13,037
	–	19,051
Carrying amounts of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	–	13,286
Carrying amounts of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (note iii)	–	4,701
	–	37,038
Less: Amounts due within twelve months shown under current liabilities	–	(19,136)
Amounts shown under non-current liabilities	–	17,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

24. BANK BORROWINGS (Continued)

Notes:

- (i) The mortgage loan and certain bank borrowings were secured by the leasehold property of the Group at 31 March 2015.
- (ii) The repayable amounts were based on scheduled repayment dates set out in the bank borrowings agreements.
- (iii) The bank borrowings repayable based on scheduled repayment dates set out in the bank borrowings agreements were as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	–	1,522
More than one year, but not exceeding two years	–	1,574
More than two years, but not exceeding than five years	–	1,518
More than five years	–	87
	–	4,701

All the Group's bank borrowings were variable-rate borrowings which carried interest at prime rate of the relevant bank minus certain basis points. The ranges of effective interest rates (which were also equal to contracted interest rates) were as follows:

	2016	2015
Effective interest rates:		
Variable-rate borrowings	N/A	2.20%–4.00%

Details of bank borrowings guaranteed by the related parties were set out in note 30(ii).

During the year ended 31 March 2016, all bank borrowings were settled upon the disposal of the leasehold property together with the corresponding leasehold improvement as disclosed in note 17 and the respective banking facility and personal guarantee provided by Mr. Chan were released in November 2015.

At 31 March 2015, a subsidiary of the Company and Mr. Chan had provided a joint guarantee to a bank for the banking facility granted to another subsidiary of the Company to the extent of HK\$3,050,000, out of which HK\$1,814,000 were utilised.

In addition, at 31 March 2015, Mr. Chan had provided a personal guarantee to a bank for the banking facility granted to the Group to the extent of HK\$41,400,000, out of which HK\$35,224,000 were utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

25. OBLIGATION UNDER A FINANCE LEASE

The Group leased its motor vehicle under a finance lease. The lease term was three years. Interest rate underlying obligation under a finance lease was fixed as at 31 March 2015 at contract date of 2% per annum.

	Minimum lease payments 2015 HK\$'000	Present value of minimum lease payments 2015 HK\$'000
Amount payable under a finance lease:		
Within one year	88	88
Less: Future finance charge	– ⁺	N/A
Present value of lease obligation	88	88
Less: Amount due for settlement within twelve months shown under current liabilities		(88)
Amount due for settlement after twelve months shown under non-current liabilities		–

⁺ Less than HK\$1,000

The Group's obligation under a finance lease was secured by the lessor's title to the leased asset.

26. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Revaluation of a property HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2014	(32)	(6,838)	435	(6,435)
Credit (charge) to profit or loss	209	–	(435)	(226)
Charge to other comprehensive income	–	(1,340)	–	(1,340)
At 31 March 2015	177	(8,178)	–	(8,001)
Charge to profit or loss	(95)	–	–	(95)
Reversal of previously recognised deferred tax of a leasehold property upon disposal	–	8,178	–	8,178
At 31 March 2016	82	–	–	82

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

26. DEFERRED TAXATION *(Continued)*

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

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	83	31
Deferred tax liabilities	(1)	(8,032)
	82	(8,001)

27. SHARE CAPITAL

The share capital of the Group at 31 March 2015 and 1 April 2014 represented the then issued share capital of the Hong Kong Subsidiaries.

The share capital of the Group at 31 March 2016 represented the issued and fully paid share capital of the Company and details of movements of authorised and issued capital of the Company upto 31 March 2016 are as follow:

	Number of shares	Share capital HK\$
Ordinary share of HK\$0.01 each		
Authorised:		
At incorporation and 31 March 2016 (note a)	39,000,000	390,000
Issued and fully paid:		
At incorporation (note b)	1	0.01
Allotment of shares (note c)	99	0.99
At 31 March 2016	100	1

Notes:

- The Company was incorporated on 20 August 2015 with an authorised share capital of HK\$390,000 divided into 39,000,000 ordinary shares of HK\$0.01 each.
- On 20 August 2015, 1 share of HK\$0.01 each was issued to the shareholder at par to provide the initial capital to the Company.
- On 11 November 2015, the Company issued 74 shares and 25 shares to Medinet International and NSD Capital respectively for the Reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

28. OPERATING LEASES

The Group as lessee

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

	2016 HK\$'000	2015 HK\$'000
Minimum lease payments under operating leases:		
Within one year	3,400	3,143
In the second to fifth years inclusive	3,004	1,550
	6,404	4,693

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

29. PLEDGE OF ASSETS

An asset with the following carrying amount had been pledged to secure the bank borrowings of the Group (note 24):

	2016 HK\$'000	2015 HK\$'000
Leasehold property	–	81,600

As at 31 March 2016, the pledge was released upon the completion of disposal of the leasehold property as disclosed in note 17.

In addition, the Group's obligation under a finance lease (note 25) was secured by the lessor's title to the leased asset, which had a carrying amount of HK\$660,000 at 31 March 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

30. RELATED PARTY TRANSACTIONS

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

Name of related company	Relationship	Nature of transaction	2016 HK\$'000	2015 HK\$'000
Synergy Health Care	Related company	Other service income	2	4

- (ii) At 31 March 2016, the Group has no outstanding bank facilities and no guarantee was provided by Mr. Chan for banking facilities granted by banks to the Group.

At 31 March 2015, a subsidiary of the Company and Mr. Chan had provided a joint guarantee of HK\$3,050,000 in aggregate to a bank and Mr. Chan had provided a personal guarantee of HK\$41,400,000 to a bank for the banking facilities granted to the Group. The aggregate amount of facilities utilised by the Group amounted to HK\$37,038,000 as at 31 March 2015 (note 24).

(iii) Compensation of key management personnel

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

	2016 HK\$'000	2015 HK\$'000
Short-term benefits	3,107	3,098
Post-employments benefits	81	80
	3,188	3,178

Further details of the directors' emoluments are included in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

31. RETIREMENT BENEFITS PLAN

Plans for Hong Kong employees

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

The total cost of HK\$585,000 (2015: HK\$590,000) charged to profit or loss represents contributions paid or payable to the above schemes by the Group for the year ended 31 March 2016.

32. MAJOR NON-CASH TRANSACTIONS

- (i) On 12 August 2015, the Group entered into a sale and purchase agreement with Daily Wise to dispose of the leasehold property and the corresponding leasehold improvements at a consideration of HK\$83,500,000 and the disposal was completed on 15 October 2015. Upon the disposal, Mr. Chan settled the mortgage loan and certain bank loans of the Group amounting to HK\$18,576,000 and HK\$16,260,000 respectively on behalf of the Group. Thus, the net amount receivable by the Group from the disposal of the leasehold property and the corresponding leasehold improvements is HK\$48,664,000.
- (ii) On 2 October 2015, the Hong Kong Subsidiaries declared an interim dividend in an aggregate amount of HK\$51,000,000 to their then shareholder.

On 27 November 2015, by entering into various arrangement among the Hong Kong Subsidiaries and Mr. Chan, the distribution of interim dividend was paid through the receivable by the Group of HK\$48,664,000 as mentioned in note 32 (i) above and therefore the net payable to Mr. Chan by the Group was HK\$2,336,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	HK\$'000
Non-current asset	
Investments in subsidiaries	73,212
Current assets	
Dividend receivables	6,600
Amount due from a director	– ⁺
Other receivable and prepayment	3,264
	9,864
Current liabilities	
Accruals	2,850
Amounts due to subsidiaries	4,931
	7,781
Net current assets	2,083
Net assets	75,295
Capital and reserves	
Share capital	– ⁺
Reserves	75,295
Total equity	75,295

⁺ Less than HK\$1,000

Movement of reserves:

	Share premium HK\$'000 (note i)	Capital reserve HK\$'000 (note ii)	Retained profits HK\$'000	Total HK\$'000
At date of incorporation	–	–	–	– ⁺
Issue of shares	–	–	–	– ⁺
Profit for the period	–	–	1,287	1,287
Deemed contribution	73,212	796	–	74,008
At 31 March 2016	73,212	796	1,287	75,295

Notes:

- (i) Share premium represents the difference between the nominal value of the shares allotted and issued by the Company for acquisition of Medinet (BVI) and the carrying amount of Medinet (BVI) on 11 November 2015 as disclosed in note 2(h).
- (ii) During the year ended 31 March 2016, a subsidiary of the Company has waived an advance amounting to approximately of HK\$796,000 to the Company, which was recognised as deemed contribution as shown in the statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

34. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2016 and 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ operations	Issued and fully paid share capital	Attributable equity interest held by of the Company		Principal activities
			2016	2015	
Medinet (BVI)	BVI 12 August 2015	US\$1,000 ordinary shares	100%	–	Investment holding
Well Being	Hong Kong 22 December 1994	HK\$10,000,000 ordinary shares	100%	100%	Provision of dental solutions and dental services
Medinet Services	Hong Kong 29 March 1994	HK\$10,000,000 ordinary shares	100%	100%	Provision of medical solutions services
Medinet Health Centre	Hong Kong 9 December 1998	HK\$500,000 ordinary shares	100%	100%	Provision of medical consultation service
Men's Health Solutions	Hong Kong 20 October 2003	HK\$10,000 ordinary shares	100%	100%	Provision of medical consultation service

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

35. EVENTS AFTER THE REPORTING PERIOD

- (a) Pursuant to written resolutions of the Company's shareholders dated 19 May 2016, (i) the authorised share capital of the Company was increased from HK\$390,000 to HK\$50,000,000 by the creation of an additional 4,961,000,000 shares of HK\$0.01 each to rank pari passu with the then existing shares in all respects; (ii) conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the placing, the directors of the Company are authorised to allot and issue a total of 779,999,900 shares, by way of capitalisation of the sum of approximately HK\$7,799,999 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders on the register of members of the Company at the close business on 19 May 2016.
- (b) On 31 May 2016, 260,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.27 by way of placement. On the same date, the Company's shares were listed on the GEM of the Stock Exchange of Hong Kong Limited. The proceeds of HK\$2,600,000 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK\$67,600,000, before issuing expenses, were credited to share premium account.

FINANCIAL SUMMARY

For the three years ended 31 March 2014, 2015 and 2016

RESULTS

	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Revenue	77,520	86,933	92,576
Profit before taxation	6,800	12,736	58
Income tax expense	(1,258)	(2,187)	(2,314)
Profit (loss) for the year	5,542	10,549	(2,256)

ASSETS AND LIABILITIES

	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Total assets	118,945	133,074	47,747
Total liabilities	(71,170)	(67,059)	(25,153)
Net assets	47,775	66,015	22,594

MediNet Group Limited
醫匯集團有限公司