



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

2018

Annual Report 年報

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

COMPLIANCE OFFICER

Mr. Chan Chi Wai, Nelson

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

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

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISER

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

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**”), it is my pleasure to present this annual report of the Group to you for the year ended 31 March 2018 (“**FY2017/18**”).

BUSINESS REVIEW

MediNet is one of the service providers in the medical and dental industries in Hong Kong for more than two decades. We design and administer tailor-made comprehensive healthcare benefit plans through our MediNet Network to our corporate customer, insurance companies and individuals. We also operate our own medical centres (“**MediNet Centres**”) and dental clinics (“**Dental Clinics**”). Currently, we operate two Medical Centres, five Dental Clinics and one DNA genetic laboratory centre to offer an array of healthcare services to patients.

Since 2017, the Group has established a representative office in Shenzhen for seeking and exploring development opportunities in major cities in the People's Republic of China (the “**PRC**”). Since then, the Group had applied licences to establish an integrated medical centre in Jiangmen (the “**Jiangmen Medical Centre**”) and a dental clinic in Shenzhen (“**Shenzhen Clinic**”). Regarding the Shenzhen Clinic, the Group obtained the relevant approval from the Department of Health of Guangdong Province for the establishment in May 2017, the approval of operation from the Health and Family Planning Commission of Shenzhen in April 2018 and it is my pleasure to announce that the Shenzhen Clinic, being our first dental clinic in the PRC, has opened in June 2018. Subsequent to the Company's listing on GEM in May 2016, it is another important milestone for the Group to tap into the market of the provision of medical and dental services in the PRC. Meanwhile, the Jiangmen Medical Centre is still under redesign stage and we expect its operation will be commenced in first quarter of 2019.

During FY2017/18, in addition to the Group's efforts in exploring business opportunities in the PRC as abovementioned, the Group also expanded our core business in Hong Kong. Our MediNet Privilege e-commerce business was launched in September 2017 and a new DNA genetic laboratory centre in Wong Chuk Hang has been opened in June 2018.

FORWARD

Going forward, the Group will further strengthen our efforts in the PRC business and continue to leverage on its competitive advantages and competencies to foster our core business of medical and dental solutions and services in Hong Kong, to provide the best healthcare services to customers and maximizing the interest of our stakeholders.

Meanwhile, our Group will also economize on expenditure such as streamlining the workflow in order to achieve cost-saving and improve efficiency. Although we recorded a significant net loss of approximately HK\$12.7 million for FY2017/18, our management team believe that the loss is temporary and we are confident that our Group will perform well in the coming years and create value and returns for its shareholders.

WORDS OF THANKS

Last but not least, on behalf of Board, I would like to thank all the staff for their hand work and contribution to the Group's development and my sincere gratitude to our shareholders, customers and business partners for their unwavering support in the past years.

Chan Chi Wai, Nelson

Chairman

28 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

MediNet is principally engaged in the provision of corporate medical and dental solutions to corporates and insurance companies through the design and administration of tailored medical and/or dental benefits plan to provide the provision of different combinations of medical and/or dental services through the MediNet Network and/or our self-operated MediNet Centres and Dental Clinics so as to deliver the value for money and a comprehensive suite of healthcare solutions to our customer.

During FY2017/18, we recorded a significant net loss of approximately HK\$12.7 million was primary attributable to (i) additional cost on the development of the business in the PRC which has not yet generated any revenue; (ii) increase in staff costs and other operating expenses to support the expansion of Group's existing medical and dental services segments and our newly established MediNet Privilege e-commerce business and DNA genetic laboratory centre in Hong Kong; (iii) increase in rental expense as the Group has relocated our dental clinic to a grade A building in Causeway Bay with higher rental costs and increase in rental for existing premises with renewed leases; and (iv) slight decrease in revenue recognised by the Group due to decrease in number of contract customers for dental services and number of visit by contract customers for medical solutions services.

Meanwhile, our Shenzhen Clinic has successfully obtained the approval of operation of medical institution (醫療機構執業許可證) from the Health and Family Planning Commission of Shenzhen Municipality and opened in June 2018, being our first dental clinic in the PRC, the Group will replicate the Hong Kong clinic-style operation model and management to provide high standard dental services to attract the middle-class population customer with strong purchasing power. In addition, our Shenzhen representative office has been continuously seeking strategic sites to establish or acquire the smaller dental clinics so as to expand our dental network in PRC for the following years.

In order to provide comprehensive healthcare services to our customers, the Group has set up a new DNA genetic laboratory centre during the year. As a result we can provide more specific and sensitive result and infections may be detected at an early stage. Besides, customers have become increasingly health conscious and willing to pay for more convenient medical access and the Directors believe that the DNA genetic laboratory centre will provide us the competitive advantages and broaden our income stream.

Apart from exploring business opportunities, the Group is also dedicated to economize on expenses. We will streamline our operation flow and manpower to achieve cost-saving and improve efficiency. The management team believe that based on our 20 years significant experience in healthcare industry, we have been able to overcome the challenges and strengths our core business to deliver well-priced and comprehensive healthcare to our customer and also create return for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue slightly decreased from approximately HK\$99.2 million for FY2016/17 to approximately HK\$97.8 million for FY2017/18. The following table sets forth a breakdown of the Group's revenue during FY2016/17 and FY2017/18:

	FY2016/17 HK\$'000	FY2017/18 HK\$'000	%
Medical solutions to contract customers	57,321	54,113	(5.6%)
Medical services to self-paid patients	17,586	20,353	15.7%
Dental solutions to contract customers	6,936	6,044	(12.9%)
Dental services to self-paid patients	17,363	17,320	(0.2%)
	99,206	97,830	

The revenue of medical solutions to contract customers slightly decreased by approximately 5.6% from approximately HK\$57,321 million for FY2016/17 to approximately HK\$54,113 million for FY2017/18, primarily due to the decrease usage by the active member of contract customers of the Group.

The revenue of medical services to self-paid patients increased by approximately 15.7% from approximately HK\$17.6 million for FY2016/17 to approximately HK\$20.4 million for FY2017/18 primarily due to the increase in demand from self-paid patients for certain body check up, other testing procedures and vaccination services etc.

The revenue of dental solutions to contract customers also decreased by approximately 12.9% from approximately HK\$6.9 million for FY2016/17 to approximately HK\$6.0 million for FY2017/18, which was mainly attributable to the decrease in the number of contract customer and individual for dental solutions.

The revenue of dental services to self-paid patients remained relatively stable at approximately HK\$17.3 million for FY2016/17 and FY2017/18.

Other income

Other income increased by approximately 97.9% from approximately HK\$981,000 for FY2016/17 to approximately HK\$1.9 million for FY2017/18, primarily due to rental income from the sub-lease of certain areas in market rate at our new Dental Clinic in Causeway Bay and MediNet Centre in Central since September 2017 and October 2017 respectively and also the increase in interest income on loan receivables, and bank interest income from short-term fixed bank deposit.

Other gains and losses

Other gains and losses turned from a gain of approximately HK\$114,000 for FY2016/17 to a loss of approximately HK\$253,000 for FY2017/18 mainly due to the combined effect of (i) gain on disposal of a motor vehicle amounted to approximately HK\$140,000 in May 2016; (ii) the disposal of a subsidiary in May 2017; and (iii) the loss on written off of fixed assets of the previous Dental Clinic in Causeway Bay in October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Medical and dental professional services expenses

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

The Group's medical and dental professional services expenses decreased by approximately 3.3% from approximately HK\$50.1 million for FY2016/17 to approximately HK\$48.5 million for FY2017/18 which was in line with the approximately 5.6% decrease in the Group's revenue from the provision of medical solutions to contract customers during the relevant period.

Staff cost

Staff cost increased by approximately HK\$6.6 million or 26.7% from approximately HK\$25.1 million for FY2016/17 to approximately HK\$31.7 million for FY2017/18. Due to change in employment arrangements between the Group and the Group's doctors and dentists so fees to the Group's doctors of approximately HK\$1.8 million was recognised in "staff cost" and fees to dentists approximately HK\$1 million was recognised in "medical and dental professional services expenses". Without taking into account the abovementioned reclassification, the staff costs increased by approximately HK\$5.9 million. The increase was attributable by (i) the increase in staff costs paid to Directors; (ii) annual increase in salaries for the staff; (iii) the increase in number of staff and full-period recognition of staff cost for a representative office in Shenzhen and clinical staff for our Shenzhen Clinic; (iv) full-period recognition of staff cost for our sales and marketing team, customer services team, nurse and dentists etc. in connection with the Group's expansion.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately 34.3% from approximately HK\$1.5 million for FY2016/17 to approximately HK\$2.0 million for FY2017/18, which was primarily due to the purchase of specialized equipment and renovation of the new Dental Clinic in Causeway Bay and Shenzhen Clinic respectively.

Cost of medical and dental supplies

Cost of medical and dental supplies remain relatively stable at approximately HK\$4.0 million for FY2016/17 and FY2017/18, respectively.

Rental expenses

Rental expenses increased by approximately 49.6% from approximately HK\$6.8 million for FY2016/17 to approximately HK\$10.2 million for FY2017/18, which was mainly due to (i) the increase in rental expenses on newly relocated Dental Clinic in Causeway Bay and the DNA genetic laboratory centre in Wong Chuk Hang; (ii) the full-period recognition of rental expenses from Shenzhen Clinic and Shenzhen office; and (iii) the increase in rent for those existing premises with renewed leases.

Other expenses

Other expenses increased by 33.5% from approximately HK\$12.3 million for FY2016/17 to approximately HK\$16.4 million for FY2017/18, primarily due to (i) the increase in general administrative expenses such as utilities, repair and maintenance for our business in Hong Kong and in the PRC; (ii) website development of our new MediNet Privilege's e-commerce business; (iii) full-period recognition of professional fee incurred to ensure ongoing compliance with relevant rules and regulation.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax credit (expenses)

Income tax credit (expenses) for the Group turned from income tax expenses of approximately HK\$0.9 million for FY2016/17 to income tax credit of approximately HK\$0.5 million for FY2017/18. The decrease was mainly due to decrease in tax assessable income.

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

Due to the combined effect of the factors mentioned above, we recorded a loss and total comprehensive expense for FY2017/18 of approximately HK\$12.2 million, which represented an increase of approximately HK\$7.7 million as compared with FY2016/17 of approximately HK\$4.5 million. If the expenses in relation to the listing (the “Listing”) of the shares of the Company on GEM of approximately HK\$4.2 million recognised in FY2016/17 were excluded, the loss increased by approximately HK\$11.9 million accordingly.

Such increase was primary attributable to the combined effects of (i) the slight decrease in revenue of approximately HK\$1.4 million for the FY2017/18; (ii) the increase in staff costs and other operation expenses to support the expansion of the Group’s existing medical and dental services business, as well as the newly established MediNet Privilege e-commerce business and DNA genetic laboratory centre in Hong Kong; (iii) additional cost incurred during the FY2017/18 on development for our Shenzhen Clinic and Jiangmen Medical Centre which mainly represented rent paid, during the period of such clinic’s application, renovation and staff cost and also the operating cost of the representative office in Shenzhen; (iv) recognition of effective rent of high-end dental clinic in Causeway Bay which was newly opened in October 2017 and newly established DNA genetic laboratory centre in Wong Chuk Hang and also increase in rental for existing premises with renewed leases.

Liquidity and financial resources

As at 31 March 2018, the Group had total assets of approximately HK\$90.9 million (2017: approximately HK\$100.9 million), which is financed by total liabilities and shareholders’ equity (comprising share capital and reserves) of approximately HK\$23.8 million (2017: approximately HK\$21.7 million) and approximately HK\$67.2 million (2017: approximately HK\$79.1 million), respectively.

The current ratio as at 31 March 2018 was approximately 3.2 times (2017: approximately 3.6 times).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2017/18. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements from time to time.

Foreign exchange exposure

All of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For FY2017/18, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

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

As at 31 March 2018, the Company's issued share capital was HK\$10,400,000 and the number of its ordinary shares was 1,040,000,000 of HK\$0.01 each.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK\$24.7 million as at 31 March 2018 (31 March 2017: approximately HK\$24.5 million). As at 31 March 2018, the Group did not have any capital commitment.

Segment information

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

Significant investments held

On 20 July 2016, the Group entered into a placing letter with Convoy Asset Management Limited, as placing agent, in relation to the subscription of the Jun Yang Notes and First Credit Notes (as defined in the Company's announcement dated on 20 July 2016) in principal amount of HK\$5 million and HK\$8 million respectively, which bear an annual interest rate of 8% and 4.5% respectively and both with a term of 2 years, details of which have been discussed in the Company's announcement dated on 20 July 2016. In November 2017, the Group early redeemed the subscription of First Credit Notes in principal amount of HK\$8 million.

Save as disclosed above, the Group did not have other significant investments held, future plans for material investment and capital assets as at 31 March 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During FY2017/18, the Group did not have any material acquisitions but disposal of 51% equity interest in POM Healthcare Management Limited in May 2017 which incurred a loss of approximately HK\$234,000.

Contingent liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had a total of 91 employees, the table below is a breakdown of the number of our employees by functions as at 31 March 2017 and 31 March 2018:

	As at 31 March	
	2017	2018
Directors and senior management	9	9
Dental Clinics operation:		
– Dentists	10	9
– Dental Hygienists	5	3
– Dental Nurse	16	12
– Other supporting staff	16	12
MediNet Centres operation:		
– Doctors	–	1
– Nurses	8	6
– Other supporting staff	3	3
Other supporting staff (Note 1)	24	24
PRC operation:		
– Dentists	–	3
– Nurses	1	4
– Other supporting staff	4	6
Total (Note 2)	95	91

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

Note 2: The number of employees in each category does not add up to the total number because 1 (2017: 1) of our employees, who was senior management and our dentist was included in both categories “Director and senior management” and “Dentists”.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds and future plans

The net proceeds from the Listing, after deducting Listing related expenses were approximately HK\$47.36 million. The unused amount of the net proceeds from the Listing as at 31 March 2018 was approximately HK\$36.63 million.

An analysis of the planned amount utilised up to 31 March 2018 is set out below:

	Planned amount utilised up to 31 March 18	Actual utilised amount as at 31 March 18	Unutilised amount out of the planned amount as at 31 March 18
	HK\$ million	HK\$ million	HK\$ million
Expand the operation of MediNet Centre and Dental Clinic in Central, Tsim Sha Tsui and Causeway Bay	12.42	10.24	2.18
Purchase a property for operation of Dental Clinic in Causeway Bay	34.20	–	34.20
Expand our MediNet Network	0.24	0.24	0.00
General working capital	0.24	0.24	0.00
	47.10	10.72	36.38

As disclosed in the Prospectus, one of the Group's business strategies is to purchase a property for operation of Dental Clinic in Causeway Bay during the financial year ending 31 March 2018. With reference to the Company's announcement dated 21 June 2017, due to the unavailability of suitable target premises to be purchased by the Group, the Board resolved to enter into a new rental agreement for a term of three years in relation to the lease of new premises for the relocation and expansion of the Group's existing Dental Clinic in Causeway Bay, while the Group shall postpone the portion of the net proceeds earmarked for the acquisition. The Directors shall continue to identify suitable target premises for the acquisition as and when appropriate and consider such postponement in use of net proceeds is in the interests of the Company and the Shareholders as a whole.

Principal risks and uncertainties

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

- (i) our business of provision of corporate medical and dental solutions to Contract Customers is dependent on our ability to maintain our MediNet Network;
- (ii) doctors, dentists and other professionals in our MediNet Network, together with our Group, could become the subject of claims, complaints, regulatory or professional investigations arising from medical or dental disputes or malpractice allegations brought by customers, which may harm our Group's business, results of operations, financial condition, brand and reputation;
- (iii) our business operation is subject to extensive government regulations and any failure to comply with such regulations could result in penalties;
- (iv) Contract Customers have no obligation to renew existing contracts with us upon contract expiry and self-paid patients have no obligation to continue to opt for our services, and any deterioration in the relationships with our customers could have a material adverse effect on our business, results of operations and financial condition;
- (v) MediNet Centres may be affected by outbreaks of communicable disease; and
- (vi) our business operations are affected by competition from other corporate medical and dental solutions providers and medical and dental services providers in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

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

Ms. Jiang Jie

Independent Non-executive Directors

Dr. Lieu Geoffrey Sek Yiu

Mr. Leung Po Hon

Mr. Wong Wai Leung

Board of Directors

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

Executive Directors

Mr. CHAN Chi Wai, Nelson (陳志偉), aged 61, 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 all of the subsidiaries of MediNet Group Limited.

Mr. Chan has over 36 years of experience in the corporate medical and dental solutions industry in Hong Kong. Prior to founding our Group in 1994, Mr. Chan had been employed by Bupa Ltd (at which his last position was manager) from 1983 to 1988 and HSBC Medical Insurance Limited (formerly known as Carlingford Medical Insurance Limited) (at which his last position was Medical Insurance Consultant) from 1989 to 1993. Mr. Chan received a Master of Business Administration from Buckinghamshire New University in February 2017 through distance learning. Mr. Chan is the spouse of Ms. Jiang, an executive Director.

Ms. JIANG Jie (姜洁), aged 36, is an executive Director and is principally responsible for our business development and customer relationship management. Ms. Jiang was appointed as a Director on 20 August 2015 and was re-designated as our executive Director on 19 May 2016 for an initial term of 3 years commencing on the Listing Date. She is also a director of all of the subsidiaries of MediNet Group Limited, except for Well Being Dental Services Limited.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Jiang joined our Group in September 2009 and has since then accumulated more than 8 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 68, 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 54, was appointed as an independent non-executive Director on 19 May 2016. Mr. Leung is currently a practicing director of Poon and Tong C.P.A. Limited, which he joined in 2001. Mr. Leung was admitted as a member of the HKICPA in January 1993 and a fellow member of the Association of Chartered Certified Accountants since January 1997.

Mr. Leung graduated from The Hong Kong Polytechnic University with a Professional Diploma in Accountancy in November 1987. He also obtained a Master's degree of Business Administration from University of Bradford, the United Kingdom in December 1990. Mr. Leung 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
Flying Financial Service Holdings Limited	8030	Independent non-executive director	15 August 2014
Kingbo Strike Limited	1421	Independent non-executive director	13 November 2015

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

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

Mr. WONG Wai Leung (黃偉樑), aged 40, was appointed as an independent non-executive Director on 19 May 2016. Mr. Wong is currently an executive director, the chief financial officer and company secretary of Qinqin Foodstuffs Group (Cayman) Company Limited, a company principally engaging in the manufacturing, distribution and sale of food and snacks products in the PRC, since March 2016 up to the present and is responsible for corporate development, investment, accounting and financial matters. He is also a director of Lianjie Sports Investments Limited, a private company which manages investments and trusts for a family office. Mr. Wong also serves as a board member of Hong Lok Yuen International School Association Limited and International College Hong Kong Limited, which operate certain international schools in Hong Kong. He was previously employed by Ernst & Young Hong Kong from September 2000 to August 2009. He has been a member of the HKICPA since July 2004 and a fellow member of the Association of Chartered Certified Accountants since September 2010.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

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

Senior management

The following are the senior management team of our Group:

Ms. LI Christine (李依皓), aged 44, 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 43, 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 20 years of experience in our Group's operation. Ms. Ngan received a Bachelor of Arts (Honours) degree in Accounting from Edinburgh Napier University in Scotland in April 2004 through distance learning. She also received a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2015. She has been a member of the Association of Chartered Certified Accountants since May 2012. She has not held any directorships in any public listed companies in the past three years.

Mr. WONG Siu Kay (黃兆基), aged 47, 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 20 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 61, was appointed as the company secretary of our Company (the "Company Secretary") on 22 November 2015. Mr. Leung graduated from Manchester Polytechnic, the United Kingdom with a degree of Bachelor of Arts in Accounting and Finance awarded by the Council for National Academic Awards of the United Kingdom in July 1988. He also obtained a degree of Master of Commerce in Accounting from the University of New South Wales in May 1990. Mr. Leung has been the director of IBC Certified Public Accountants Limited since August 2008 up to the present. He was the executive director, finance manager and company secretary of Lerado Group (Holding) Company Limited (which is listed on the Stock Exchange with stock code 1225) from July 1995 to August 2014. He was previously employed by Chewy International Foods Ltd. as a financial controller from January 1993 to January 1995. Mr. Leung has been a member of the HKICPA since June 1991.



CORPORATE GOVERNANCE REPORT

Pursuant 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 2018.

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

INTRODUCTION

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 15 of the GEM Listing Rules. During the period from the listing Date and up to the date of this report, to the best knowledge of the Board, the Company has complied with the applicable code provisions set out in the 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 12 to 15 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 of the Company (the "Nomination Committee") is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive directors.

DIRECTORS' SECURITIES TRANSACTIONS

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

Board Meeting, General Meeting and Procedures

Attendance and Number of Board meetings

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

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

Director	Number of meetings attended/held				
	General meeting	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors					
Mr. Chan Chi Wai, Nelson	1/1	7/7		1/1	1/1
Ms. Jiang Jie	0/1	5/7			
Independent non-executive Directors					
Dr. Lieu Geoffrey Sek Yiu	0/1	6/7	2/2		
Mr. Leung Po Hon	1/1	7/7	2/2	1/1	1/1
Mr. Wong Wai Leung	1/1	7/7	2/2	1/1	1/1

Practices and Guidelines of Meetings

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

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

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

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 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 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 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 on 22 November 2015. He is responsible for ensuring a good information flow within the Board and the compliance of the Board policy and procedures.

Mr. Leung Man Fai undertook totally not less than 15 hours of relevant professional training requirements under Rule 5.15 of the GEM Listing Rules during FY2017/2018.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the financial statements for the year ended 31 March 2018.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

CORPORATE GOVERNANCE REPORT

An internal control review report and an enterprise risk assessment report issued by Baker Tilly Hong Kong were tabled before the members of the Audit Committee during the Audit Committee meeting held on 22 June 2018. The principal purposes of the internal control review and the enterprise risk assessment carried out by Baker Tilly Hong Kong were to obtain sufficient knowledge and understanding about the attitude, awareness and actions of management and the Board concerning the factors of the control environment and risk management mechanism. Based on the findings and comments by Baker Tilly Hong Kong and the Audit Committee, the Board considered the internal control and risk management systems effective and adequate and was of the opinion that there were no significant areas of concern that might affect the company's shareholders.

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

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

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

ROLE OF COMPLIANCE OFFICER

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 2018, the Company engaged Deloitte Touche Tohmatsu as the external auditors. Apart from providing audit services, Deloitte Touche Tohmatsu also provided non-audit services. The fees in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 March 2018 approximately amounted to HK\$800,000 and HK\$353,000 respectively. The reporting responsibilities of Deloitte Touche Tohmatsu are set out in the Independent Auditor's Report on page 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.

CORPORATE GOVERNANCE REPORT

Right to put forward proposals at general meeting

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

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

Right to make enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

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

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

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

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

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



REPORT OF THE DIRECTORS

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.

BUSINESS REVIEW

A review of the business of the Group during FY2017/18 and outlook are provided in “Management Discussion and Analysis” on page 5. Description of the risk management and internal control can be found in “Corporate Governance Report” on Page 21.

No important events affecting the Group have occurred since 31 March 2018.

FINANCIAL REVIEW

A summary of the published results and of the assets and liability of the Group for the last five years is set out on page 98.

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. The environmental policies and performance are provided in “Environmental, Social and Governance Report” on page 30 to page 47.

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 2018 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 2018 are set out in the consolidated statement of financial position on page 34 of this report.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting to be held on for 13 August 2018. 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 8 August 2018 to 13 August 2018, 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 7 August 2018.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2018, 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 2018 are set out in note 13 to the consolidated financial statements.

BANK BORROWINGS

As at 31 March 2018, 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 2018 are set out in note 21 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.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company's reserves available for distribution to shareholders comprising share premium plus accumulated losses, amounted to approximately HK\$116,091,000.

CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2018, the Group made HK\$21,000 charitable contributions.

EVENT AFTER THE REPORTING PERIOD

On 18 April 2018, the Group had entered into a Memorandum of understanding agreement with Tradewide Investments Ltd., an independent third party of the Group, to acquire a company which is mainly engaged in provision of dental services. The transaction has not yet completed 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 2018, sales to the Group's five largest customers accounted for approximately {35.4%} of total sales and sales to the largest customer included therein amounted to approximately 15.6% 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 2018.

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

None of the Directors had a material interest, whether directly or indirectly, in any transactions, arrangement and 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 2018.

As of 31 March 2018, no transactions, arrangements and 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 2018.

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 2018.

PERMITTED INDEMNITY PROVISION

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

REPORT OF THE DIRECTORS

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

As at 31 March 2018, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

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

Notes:

- The letter "L" denotes to long position in the shares of the Company.
- MediNet International Limited is wholly and beneficially owned by Mr. Chan Chi Wai, Nelson ("Mr. Chan"). Therefore, Mr. Chan is deemed to be interested in the Shares held by Medinet International Limited under Part XV of the SFO. Mr. Chan is the sole director of MediNet International Limited.
- Ms. Jiang Jie ("Ms. Jiang") is the spouse of Mr. Chan. Accordingly, Ms. Jiang is deemed to be interested in the Shares deemed to be interested in the shares of the Company in which Mr. Chan is deemed to be interested under Part XV of the SFO.

Save as disclosed above, as at 31 March 2018, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

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

As at 31 March 2018, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interest or short positions in the shares or underlying shares of the Company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

Notes:

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

Save as disclosed above, as at 31 March 2018, 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 16 to 23 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 2018, save for the compliance adviser agreement dated entered into between the Company and Messis Capital Limited, neither Messis Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIVIDEND

The Board does not recommend the payment of any dividend for the FY2017/18 (2016/17: Nil).

AUDITOR

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

On behalf of the Board
Chan Chi Wai, Nelson
Chairman

Hong Kong, 28 June 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Report profile

MediNet Group Limited (hereafter, called the “Company”, “we” or “us”) and its subsidiaries (collectively known as the “Group”) are pleased to present our Environmental, Social and Governance (“ESG”) Report (“Report”). The content of this Report herein focuses on providing an overview of the ESG performance of our major operations for the financial year from 1 April 2017 to 31 March 2018 (the “Reporting Period”).

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

Reporting period and scope

Unless otherwise stated, this Report covers the following:

- (i) MediNet Centres located in Central and Tsim Sha Tsui;
- (ii) Dental Clinics located in Causeway Bay, Central, Kwun Tong, Mongkok and Tsim Sha Tsui; and
- (iii) The head office located in North Point.

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

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

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

Feedback

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Approach

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

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

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

Our stakeholders

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

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

Employees

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

Investors

- Seminars and interviews
- Financial reports
- Operational reports for investors, media and analyst

Customers

- Annual customer survey
- Clinic visits
- Customer hotline

Communities & NGOs

- Donation box
- Employee voluntary activities
- Public event

HKEX

- Meetings
- Training
- Roadshows
- Workshops
- Programmes

Government

- Interaction and visits
- Tax returns
- Government inspections

Media & Public

- Newsletter on the Company's website

Suppliers

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT

Overview

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

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

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

Emissions

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

Yet, greenhouse gas emissions are mainly from the consumption of purchased electricity to support the operations of our offices and clinics, such as the lighting and magnifiers, air-conditioning system and sterilization system. The statistics of greenhouse gas emissions recorded during the Reporting Period is detailed below.

Scope of Greenhouse Gas Emission	Emission sources	Emission (in tonnes of CO ₂ e)	Emission per floor area ⁽¹⁾ (tonnes of CO ₂ /sq.m.)
Scope 1 Direct Emission	N/A	N/A	N/A
Scope 2 Indirect Emission	Purchased Electricity	108.20 ⁽²⁾	0.08
Scope 3 Other Indirect Emission	Paper Consumption	10.15	0.01

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Waste management

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

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

All used syringes, needles, cartridges, ampoules and other sharp instruments are stored in a special sharp container in each clinic. Throughout the Reporting Period, we approximately produced 106 kilograms of clinical waste in total, and on average, 17.67 kilograms of clinical waste per MediNet Centre/Dental Clinic.

When a conventional X-ray radiography is applied, X-ray developer is used, and as a result, chemical waste (spent alkaline) is generated. All the used X-ray developer is stored in a separate plastic container and collected by an approved waste collector, which is authorized by the Environmental Protection Department. Throughout the Reporting Period, we approximately produced 180 litres of chemical waste in total, and on average, 45 litres of chemical waste per dental clinics.

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

Year ended 31 March 2018

	Copier paper	Letter-headed paper
Weight (in tonnes)	1.59	0.53
Intensity (tonnes/sq.m. floor area ⁽³⁾)	0.0011	0.0004

³ As paper is used in our clinics and office as defined in the section of “Reporting Period and Scope”; thus, the floor area refers to that of our clinics and office accordingly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

Use of resources

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

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

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

Energy efficiency

As mentioned, electricity is mainly consumed for the operations of our offices and clinics, such as the lighting and magnifiers, air-conditioning system and sterilization system. The following shows the statistics of electricity consumption during the Reporting Period.

Year ended 31 March 2018

Electricity consumption (in kWh)	166,890.00
Intensity (kWh/sq.m. floor area ⁽⁴⁾)	120.22
Intensity (kWh/number of employees)	2,112.53

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

⁴ As all electricity usage is in connection with our clinics and office as defined in the section of “Reporting Period and Scope”; thus, the floor area refers to that of our clinics and office accordingly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water usage

As our daily operations do not involve production, water usage is relatively low as compared to the case of manufacturing companies. The existing supply of water meets our daily operational needs for the purpose of domestic use and we do not have any issue in sourcing water. Since water charge is included in the rental fee, thus we are not able to collect and disclose the relevant data.

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

Medical Packaging

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

EMPLOYMENT

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

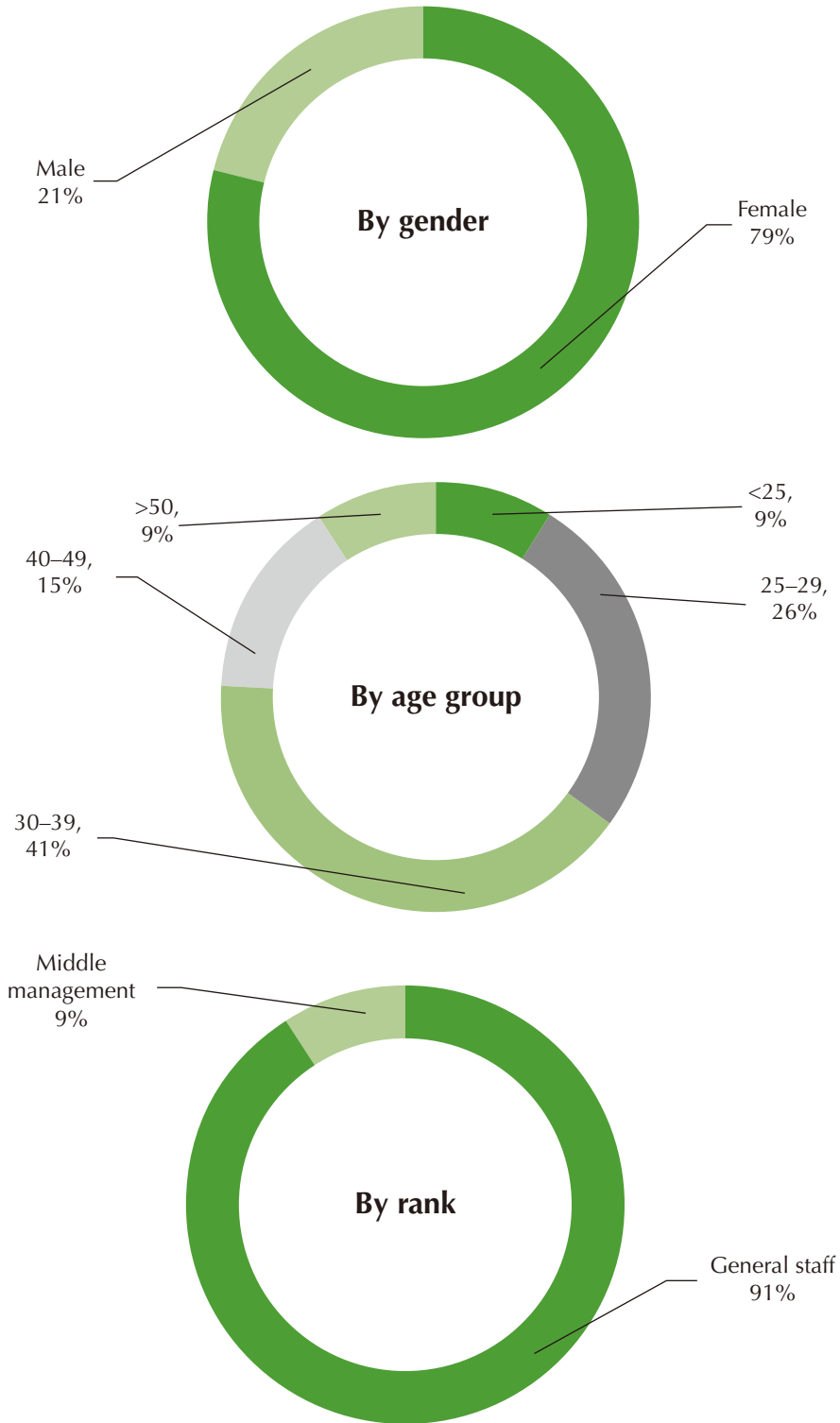
We see our employees as the most valuable assets of the Group, and focus our efforts on providing a safe and enjoyable working environment for them. The objective of the Human Resources Department is to reward and recognize outstanding employees by providing competitive remuneration packages with basic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

As at 31 March 2018, the employee profiles by gender, age, rank and geographical location are shown as follows:

Total workforce	91
Breakdown by gender	
Female	73
Male	18
Breakdown by age	
< 25	8
25–29	12
30–39	30
40–49	28
> 50	13
Breakdown by employment category (rank)	
Top management	9
Middle management	28
General staff	54
Breakdown by geographical location	
Hong Kong	79
PRC	13

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Throughout the Reporting Period, the staff turnover rates by gender, age and rank are shown as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HEALTH AND SAFETY

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

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

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

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

During the Reporting Period, no case of fatality, with 1 work injury case in the workplace where there was no lost day due to work injury were reported.

DEVELOPMENT AND TRAINING

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

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

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

- Newly recruited employees are required to attend an orientation training programme, which covers corporate culture, business profiles, operation policies and procedures;
- A designated senior manager is responsible for checking the quality of service provided by the staff members at the reception and providing internal training, which ensures that all staff members are aware of how to use the electronic devices (i.e. computers, and printers, etc.) and internal customers' filing system;
- Nurses are required to attend regular and ad hoc internal training courses that are necessary to discharge their duties at work, including, but not limited to, product knowledge, customer services and new legislations and regulations relevant to our business operations;
- Sponsorships are offered to doctors and dentists for them to attend external training courses regarding new techniques, tools, and technologies, etc. that are relevant to our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following shows the statistics in relation to training during the Reporting Period:

Average training hours completed

By gender

Female

6.82

Male

3.11

By rank

Top management

4.44

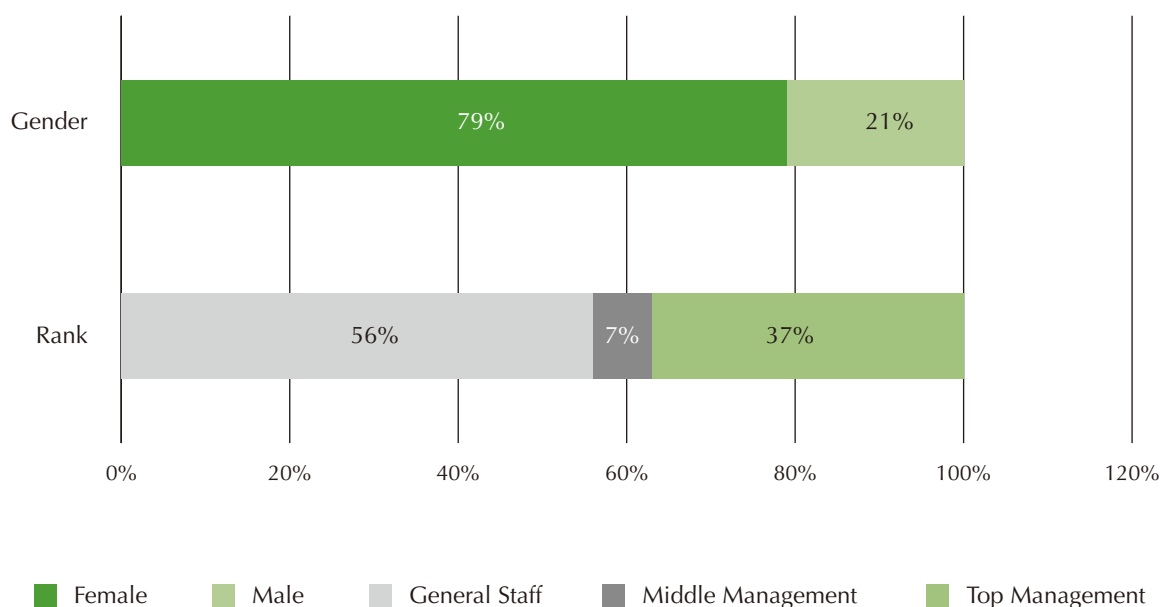
Middle management

6.67

General staff

7.04

The percentage of employees trained by gender and rank



LABOUR STANDARDS

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

SUPPLY CHAIN MANAGEMENT

Our suppliers primarily include distributors of orthodontic appliances, pharmaceutical and medical consumables. We have over 30 suppliers which are all primarily located in Hong Kong.

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

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

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

PRODUCT AND SERVICE RESPONSIBILITY

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

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

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

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

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

ADVERTISING

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

COMPLAINTS

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ANTI-CORRUPTION

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

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

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

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

COMMUNITY INVESTMENT

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

Aspect	Description	Chapter	Remarks
A. Environmental			
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	<i>Overview</i>	
KPI A1.1	The types of emissions and respective emissions data.	<i>Emissions</i>	
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<i>Emissions</i>	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<i>Waste Management</i>	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<i>Waste Management</i>	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	<i>Energy Efficiency</i>	<i>As it is our first ESG Report with KPI on emissions; thus, no data is available regarding the results achieved by implementing measures to mitigate emissions.</i>
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	<i>Waste Management</i>	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter	Remarks
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<i>Use of Resources, Energy Efficiency, Water Usage</i>	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	<i>Energy Efficiency</i>	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	<i>Water Usage</i>	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	<i>Energy Efficiency</i>	<i>As it is our first ESG Report with KPI on electricity consumption; thus, no data is available regarding the results achieved by implementing energy use efficiency initiatives.</i>
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	<i>Water Usage</i>	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<i>Medical Packaging</i>	<i>As a medical service provider, the use of packaging material is minimal.</i>
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	<i>Not material</i>	<i>As a medical service provider, we consider our operations do not make a significant impact on the environment and natural resources.</i>
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter	Remarks
B. Social			
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	<i>Employment</i>	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	<i>Employment</i>	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	<i>Employment</i>	
B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	<i>Health and Safety</i>	
KPI B2.1	Number and rate of work-related fatalities.	<i>Health and Safety</i>	
KPI B2.2	Lost days due to work injury.	<i>Health and Safety</i>	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	<i>Health and Safety</i>	
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<i>Development and Training</i>	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<i>Development and Training</i>	
KPI B3.2	The average training hours completed per employee by gender and employee category.	<i>Development and Training</i>	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter	Remarks
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	<i>Labour Standards</i>	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	<i>Labour Standards</i>	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<i>Labour Standards</i>	
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	<i>Supply Chain Management</i>	
KPI B5.1	Number of suppliers by geographical region.	<i>Supply Chain Management</i>	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	<i>Supply Chain Management</i>	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter	Remarks
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	<i>Product and Service Responsibility, Advertising</i>	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<i>Not Applicable</i>	<i>As a medical service provider, we mainly provide medical and/or dental services to our clients, not many products that we offer are subject to recall.</i>
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	<i>Complaints</i>	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	<i>Product and Service Responsibility</i>	
KPI B6.4	Description of quality assurance process and recall procedures.	<i>Product and Service Responsibility</i>	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	<i>Product and Service Responsibility</i>	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter	Remarks
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<i>Anti-corruption</i>	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	<i>Anti-corruption</i>	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	<i>Anti-corruption</i>	
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	<i>Community Investment</i>	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	<i>Community Investment</i>	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	<i>Community Investment</i>	

INDEPENDENT AUDITOR'S REPORT

Deloitte.

TO THE SHAREHOLDERS OF MEDINET GROUP LIMITED

醫匯集團有限公司

(incorporated in the Cayman Islands with limited liability)

德勤

OPINION

We have audited the consolidated financial statements of MediNet Group Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 53 to 97, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Revenue recognition

We identified revenue recognition as a key audit matter as revenue is one of the key performance indicators of the Group and the Group's revenue from provision of medical solutions to insurance companies involves significant volume of transactions recorded in the Group's operational system. The recognition of such revenue is highly dependent on the information data generated from the operational system to the accounting system of the Group. Hence, it gives rise to an inherent risk that such revenue could be misstated or subject to manipulation.

For the year ended 31 March 2018, the Group recognised revenue of approximately HK\$34,134,000 in respect of provision of medical solutions to insurance companies. Details of revenue from provision of medical solutions to insurance companies are set out in note 5 to the consolidated financial statements.

Valuation of accounts receivables

We identified the valuation of accounts receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the use of judgment in estimates in assessing the recoverability of accounts receivables.

In determining the allowance for accounts receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the accounts receivables.

At 31 March 2018, the carrying amount of accounts receivables is HK\$7,383,000. No allowance for doubtful debts was made for the year. Details of accounts receivables are set out in note 16 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to revenue recognition included:

- Understanding and testing the controls over the validity of the data from the operational system and transmission of the information data from the operational system to the accounting system;
- Engaging our internal IT specialists to verify the accuracy of consultation fee to be billed to insurance companies, by extracting relevant data from the operational system to recalculate the amount of the transactions recorded in the accounting system for selected months;
- Selecting samples of revenue transaction and checking to supporting documents and settlement documents; and
- Performing analytical review procedures on revenue deriving from the provision of medical solutions and identifying and obtaining explanation for fluctuation noted.

Our procedures in relation to valuation of accounts receivables included:

- Obtaining an understanding of the Group's control over credit policy and collection, and how allowance for doubtful debts is estimated by the management;
- Testing the key controls of the Group relating to the preparation of the aging analysis of accounts receivables and testing the accuracy of aging analysis of the accounts receivables by checking to the underlying settlements documents on sample basis;
- Testing the settlements record during the year and settlements of the accounts receivables subsequent to the balance sheet date, on a sample basis, to the source documents; and
- Assessing the reasonableness of recoverability of accounts receivables with reference to the credit history including settlement records, subsequent settlements and aging analysis of each individual corporate customers and insurance companies.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	5	97,830	99,206
Other income	6	1,941	981
Other gains and losses	7	(253)	114
Medical and dental professional services expenses	8	(48,512)	(50,125)
Staff costs	8	(31,749)	(25,064)
Depreciation of property, plant and equipment		(1,953)	(1,454)
Cost of medical and dental supplies	8	(3,928)	(4,036)
Rental expenses		(10,154)	(6,787)
Other expenses		(16,400)	(12,283)
Listing expenses		–	(4,190)
Loss before taxation	8	(13,178)	(3,638)
Income tax credit (expense)	9	474	(865)
Loss for the year		(12,704)	(4,503)
Other comprehensive income for the year			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		537	–
Total comprehensive expense for the year		(12,167)	(4,503)
Loss for the year attributable to:			
Owners of the Company		(12,704)	(4,261)
Non-controlling interest		–	(242)
		(12,704)	(4,503)
Total comprehensive expense attributable to:			
Owners of the Company		(12,167)	(4,261)
Non-controlling interest		–	(242)
		(12,167)	(4,503)
Loss per share – Basic (Hong Kong cents)	12	(1.22)	(0.43)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	13	8,281	4,635
Loan receivables	14	–	13,000
Rental deposits	16	3,314	2,295
Other receivables	16	1,457	2,312
Deferred tax assets	20	1,036	180
		14,088	22,422
Current assets			
Inventories	15	723	465
Accounts and other receivables	16	11,659	11,432
Amount due from a director	17	–	142
Amounts due from related parties	17	169	–
Amount due from a non-controlling interest	17	–	5
Tax recoverable		1,031	1,394
Short-term bank deposits	18	35,000	35,000
Loan receivable	14	5,000	–
Bank balances and cash	18	23,272	30,002
		76,854	78,440
Current liabilities			
Accounts and other payables	19	23,771	21,735
Net current assets		53,083	56,705
Total assets less current liabilities		67,171	79,127
Non-current liability			
Deferred tax liabilities	20	–	26
Net assets		67,171	79,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTE	2018 HK\$'000	2017 HK\$'000
Capital and reserves			
Share capital	21	10,400	10,400
Reserves		56,771	68,938
Equity attributable to owners of the Company		67,171	79,338
Non-controlling interest		–	(237)
Total equity		67,171	79,101

The consolidated financial statements on pages 53 to 97 were approved and authorised for issue by the board of directors on 28 June 2018 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 2018

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note a)	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Subtotal HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
At 1 April 2016	-*	-	(1,253)	20,515	-	3,332	22,594	-	22,594
Loss and total comprehensive expense for the year	-	-	-	-	-	(4,261)	(4,261)	(242)	(4,503)
Capitalisation issue (note b)	7,800	(7,800)	-	-	-	-	-	-	-
Issue of new shares (note c)	2,600	67,600	-	-	-	-	70,200	-	70,200
Transaction costs attributable to issued shares	-	(7,947)	-	-	-	-	(7,947)	-	(7,947)
Capital contribution to a non-wholly owned subsidiary	-	-	-	-	-	-	-	5	5
Dividend (note 11)	-	-	-	-	-	(1,248)	(1,248)	-	(1,248)
At 31 March 2017	10,400	51,853	(1,253)	20,515	-	(2,177)	79,338	(237)	79,101
Loss for the year	-	-	-	-	-	(12,704)	(12,704)	-	(12,704)
Exchange differences arising on translation	-	-	-	-	537	-	537	-	537
Loss and total comprehensive income (expense) for the year	-	-	-	-	537	(12,704)	(12,167)	-	(12,167)
Disposal of a subsidiary	-	-	-	-	-	-	-	237	237
At 31 March 2018	10,400	51,853	(1,253)	20,515	537	(14,881)	67,171	-	67,171

* Less than HK\$1,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2018

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. The fair value adjustment of HK\$1,253,000 at initial recognition of the interest-free loan were recognised in equity as deemed distribution to shareholder. The loan has been settled during the year ended 31 March 2016.
- (b) Pursuant to the written resolutions passed by the shareholders of the Company on 19 May 2016, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the placing as described as (c) below, the directors of the Company were authorised to capitalise the amount of approximately HK\$7,800,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 779,999,900 ordinary shares of HK\$0.01 each for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on 19 May 2016 in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company (the “Capitalisation Issue”).
- (c) On 31 May 2016, the Company placed 260,000,000 new shares at HK\$0.27 per share for a total gross proceeds of HK\$70,200,000. The proceeds of HK\$2,600,000 representing the par value of the shares of the Company, were credited to the Company’s share capital and the remaining proceeds of HK\$67,600,000 before listing expenses, were credited to share premium account of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(13,178)	(3,638)
Adjustments for:		
Interest income	(895)	(695)
Depreciation of property, plant and equipment	1,953	1,454
Loss (gain) on disposal of property, plant and equipment	4	(140)
Net loss on disposal of a subsidiary	234	–
Loss on written off of property, plant and equipment	15	–
Operating cash flows before movements in working capital	(11,867)	(3,019)
(Increase) decrease in inventories	(258)	39
Decrease in held-for-trading investments	–	3,413
(Increase) decrease in accounts and other receivables and rental deposits	(242)	2,897
Increase in amount due from a related party	(135)	–
Increase (decrease) in accounts and other payables	2,036	(2,815)
Cash (used in) generated from operations	(10,466)	515
Hong Kong Profits Tax paid	(45)	(2,933)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(10,511)	(2,418)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,525)	(4,193)
Advances to related parties	(330)	–
Advance to a director	(19)	(650)
Proceed from settlement of loan receivable	8,000	–
Interest received	746	544
Repayment from a related party	296	352
Repayment from a director	161	1,168
Repayment from a non-controlling interest	5	–
Proceeds from disposal of a subsidiary	3	–
Proceeds from disposal of property, plant and equipment	2	140
Placement of short-term bank deposits with maturity over three months	–	(35,000)
Purchase of loan receivables	–	(13,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	3,339	(50,639)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
FINANCING ACTIVITIES		
Proceeds from issue of new shares upon listing	–	70,200
Share issue expense	–	(7,947)
Dividend paid	–	(1,248)
NET CASH FROM FINANCING ACTIVITIES	–	61,005
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,172)	7,948
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	30,002	22,054
Effect of foreign exchange rate changes	442	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	23,272	30,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

1. GENERAL

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 27.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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

New and revised HKFRSs and interpretations in issued but not yet effective

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 and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²

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

² Effective for annual periods beginning on or after 1 January 2019

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

⁴ Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

The key requirement of HKFRS 9 which is relevant to the Group is 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 Financial Instruments: Recognition and Measurement. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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

New and revised HKFRSs and interpretations in issued but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Company, the accumulated amount of impairment loss to be recognised by Company as at 1 April 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on accounts receivables. Such further impairment recognised under the expected credit loss model would increase the opening accumulated losses at 1 April 2018.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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

New and revised HKFRSs and interpretations in issued but not yet effective (Continued)

HKFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK\$24,736,000 as disclosed in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$3,314,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

Business combination

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

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

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

Revenue recognition

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. 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 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 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.

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

The carrying amount of the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

On derecognition of a financial asset in its 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Impairment losses

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

Foreign currencies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

Valuation of accounts receivables

In determining the allowance for accounts receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the accounts receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of accounts receivables is approximately HK\$7,383,000 (2017: HK\$7,791,000). No impairment loss on accounts receivables was recognised during both years.

Annual retainer contracts

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

5. REVENUE AND SEGMENT INFORMATION

Information reported to Mr. Chan, chief executive director 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 2018

5. 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 2018

	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	23,364	74,466	97,830	–	97,830
Inter-segment revenue	1,164	–	1,164	(1,164)	–
Segment revenue	24,528	74,466	98,994	(1,164)	97,830
Segment loss	(5,265)	(304)	(5,569)		(5,569)
Unallocated expenses					(9,174)
Unallocated income					1,799
Unallocated loss					(234)
Loss before taxation					(13,178)
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	1,064	889	1,953		1,953
Loss on disposal of property, plant and equipment	–	(4)	(4)		(4)
Loss on written off of property, plant and equipment	(15)	–	(15)		(15)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Year ended 31 March 2017

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of unallocated expenses, income and losses mainly including certain depreciation, general office expenses, listing expenses, other service income, dividend income, interest income, other gains and losses, finance costs and income tax expense. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

5. 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

	2018 HK\$'000	2017 HK\$'000
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical solutions		
– Insurance companies	34,134	34,858
– Corporations	19,979	22,463
Dental solutions	54,113	57,321
	6,044	6,936
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	20,353	17,586
Dental services	17,320	17,363
	97,830	99,206

Information about major customers

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

	2018 HK\$'000	2017 HK\$'000
Customer A ¹	15,242	14,051

¹ Revenue from the provision of medical solutions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

6. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Rental income	762	–
Interest income on loan receivables	612	531
Bank interest income	283	164
Credit card rebate	142	154
Other service income (note)	132	130
Exchange gain	10	2
	1,941	981

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.

7. OTHER GAINS AND LOSSES

	2018 HK\$'000	2017 HK\$'000
Loss on fair value change of held-for-trading investments	–	(26)
Loss on written off of property, plant and equipment	(15)	–
(Loss) gain on disposal of property, plant and equipment	(4)	140
Net loss on disposal of a subsidiary	(234)	–
	(253)	114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

8. LOSS BEFORE TAXATION

	2018 HK\$'000	2017 HK\$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 10)	3,364	1,197
Salaries and allowance for staff excluding directors	27,030	22,726
Retirement benefit schemes contributions for staffs excluding directors	1,355	1,141
Total staff costs (note ii)	31,749	25,064
Medical and dental professional services expenses (note i)	48,512	50,125
Cost of inventories recognised as an expense	3,928	4,036
Minimum lease payments in respect of rental premises	10,154	6,787
Auditor's remuneration		
Current year	800	750
Overprovision in prior year	–	(200)

Notes:

- (i) Medical and dental professional services expenses mainly include laboratory charges, fee paid to external doctors employed by clinics not operated by the Group and charges by external auxiliary services providers who provide services to the Group's contract customers.
- (ii) Staff costs mainly include payments to the employees of the Group including doctors, dentists and other staffs.

9. INCOME TAX (CREDIT) EXPENSE

	2018 HK\$'000	2017 HK\$'000
Current tax	408	926
Underprovision in prior year	–	11
Deferred tax (note 20)	408	937
	(882)	(72)
	(474)	865

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK\$30,000 (2017: HK\$20,000).

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

	2018 HK\$'000	2017 HK\$'000
Loss before taxation	(13,178)	(3,638)
Tax at Hong Kong Profits Tax rate of 16.5%	(2,174)	(600)
Tax effect of expenses not deductible for tax purposes	1,541	1,379
Tax effect of income not taxable for tax purposes	(48)	(27)
Tax effect of tax loss not recognised	267	142
Underprovision in prior year	–	11
Tax concessions	(60)	(40)
Income tax (credit) expense for the year	(474)	865

Details of deferred taxation are set out in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

Mr. Chan and Ms. Jiang Jie, who is the spouse of Mr. Chan, were appointed as the executive directors of the Company on 11 November 2015. Mr. Chan was the chief executive of the Company and his emoluments disclosed below include those for service rendered by him as the chief executive.

Directors and Chief Executive

2018

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

2017

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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

Employees

The five highest paid individuals of the Group include two directors of the Company for the year (2017: nil). The emoluments of the five highest paid individuals for both years are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and allowances	6,563	4,125
Contributions to retirement benefit scheme	89	90
	6,652	4,215

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

	2018	2017
Nil to HK\$1,000,000	2	5
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	2	–
	5	5

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

11. DIVIDENDS

The directors of the Company do not recommend any dividend for the year ended 31 March 2018.

During the year ended 31 March 2017, a final dividend of HK\$0.12 cents per share amounting to approximately HK\$1,248,000 was paid to the shareholders in respect of the retained earning for the year ended 31 March 2016.

12. LOSS PER SHARE

	2018 HK\$'000	2017 HK\$'000
Loss for the purpose of calculating basic loss per share for the year	(12,704)	(4,261)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,040,000	996,548

No diluted loss 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 2018

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Professional equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2016	4,428	7,549	3,608	3,642	19,227
Additions	1,762	1,426	314	691	4,193
Eliminated on disposals	–	–	–	(619)	(619)
At 31 March 2017	6,190	8,975	3,922	3,714	22,801
Additions	2,246	2,628	651	–	5,525
Eliminated on disposals	–	(8)	–	–	(8)
Eliminated on written off	(441)	–	(33)	–	(474)
Exchange realignment	35	74	10	–	119
At 31 March 2018	8,030	11,669	4,550	3,714	27,963
DEPRECIATION					
At 1 April 2016	3,597	7,229	3,193	3,312	17,331
Provided for the year	542	244	212	456	1,454
Eliminated on disposals	–	–	–	(619)	(619)
At 31 March 2017	4,139	7,473	3,405	3,149	18,166
Provided for the year	911	632	272	138	1,953
Eliminated on disposals	–	(2)	–	–	(2)
Eliminated on written off	(430)	–	(29)	–	(459)
Exchange realignment	9	10	5	–	24
At 31 March 2018	4,629	8,113	3,653	3,287	19,682
CARRYING VALUES					
At 31 March 2018	3,401	3,556	897	427	8,281
At 31 March 2017	2,051	1,502	517	565	4,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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

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

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

14. LOAN RECEIVABLES

During the year, the Group redeemed a debt security at a cost of HK\$8,000,000 and the remaining loan receivable amount to HK\$5,000,000 will be mature within one year from the reporting period.

The Group purchased debt securities that are issued by listed companies in Hong Kong, and carried fixed interest rate at 4.5% to 8% per annum, payable quarterly, and such receivables will mature after one year from the reporting period during the year ended 31 March 2017.

15. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Pharmaceutical products	723	465

16. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	2018 HK\$'000	2017 HK\$'000
Accounts receivables	7,383	7,791
Other receivables		
– Other receivables	3,952	4,990
– Prepayments	1,747	947
– Rental and utility deposits	3,348	2,311
Total accounts and other receivables	16,430	16,039
Less: Receivables within twelve months shown under current assets	(11,659)	(11,432)
Rental deposits and other receivables shown under non-current assets	4,771	4,607
Presented in the consolidated statement of financial position:		
– Rental deposits	3,314	2,295
– Other receivables	1,457	2,312
	4,771	4,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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

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:

	2018 HK\$'000	2017 HK\$'000
Within 30 days	3,211	3,759
31 to 60 days	2,998	3,024
61 to 90 days	951	892
91 to 180 days	223	116
	7,383	7,791

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

At 31 March 2018, included in the Group's accounts receivables balance are debtors with aggregate carrying amounts of approximately HK\$223,000 (2017: HK\$116,000) 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.

Age of receivables that are past due but not impaired

	2018 HK\$'000	2017 HK\$'000
Overdue by:		
1 to 30 days	223	116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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

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

	As at 31 March 2018 HK\$'000	As at 31 March 2017 HK\$'000	As at 1 April 2016 HK\$'000	Maximum balance outstanding during the year 2018 HK\$'000	2017 HK\$'000
Amounts due from related parties – current, unsecured and interest-free					
Medinet International ¹	7	–	–	7	–
Daily Wise International Limited ¹	3	–	–	3	–
MediNet Holdings ¹	–	–	352	–	352
Face Factor Limited ("Face Factor") ¹	159	–	–	247	–
	169	–	352		
Amount due from a director					
Mr. Chan	–	142	660	161	787
Amount due from a non-controlling interest					
Mr. Sze Wa Fung	–	5	–	5	5

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

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

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

Bank balances carried interest at prevailing market interest rate of 0.01% (2017: 0.01%) per annum. Short-term bank deposits carried interest at market interest rate of 1% (2017: 0.90%) per quarter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

19. ACCOUNTS AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Accounts payables	8,531	6,676
Other payables	600	769
Receipt in advance	11,127	11,024
Accrued expenses	3,513	3,266
	23,771	21,735

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:

	2018 HK\$'000	2017 HK\$'000
Within 30 days	3,044	3,452
31 to 60 days	2,751	3,069
61 to 90 days	2,718	127
91 to 180 days	18	28
	8,531	6,676

20. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2016	82	–	82
Credit to profit or loss	(134)	206	72
At 31 March 2017	(52)	206	154
Credit to profit or loss	(67)	949	882
At 31 March 2018	(119)	1,155	1,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

20. DEFERRED TAXATION (Continued)

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

	2018 HK\$'000	2017 HK\$'000
Deferred tax assets	1,155	180
Deferred tax liabilities	(119)	(26)
	1,036	154

At the end of the reporting period, the Group has unused tax losses of HK\$9,481,000 (2017: HK\$2,109,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$7,001,000 (2017: HK\$1,248,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$2,480,000 (2017: HK\$861,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

21. SHARE CAPITAL

The share capital of the Group at 31 March 2018 and 31 March 2017 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 2018 are as follow:

	Number of shares	Share capital HK\$
Ordinary share of HK\$0.01 each		
Authorised:		
At incorporation and 31 March 2017 (note a)	39,000,000	390,000
Increase during the year (note b)	4,961,000,000	49,610,000
At 31 March 2018	5,000,000,000	50,000,000
Issued and fully paid:		
At incorporation and 31 March 2017	100	1
Capitalisation Issue	779,999,900	7,799,999
Issue of new shares upon listing	260,000,000	2,600,000
At 31 March 2018	1,040,000,000	10,400,000

Notes:

- (a) The Company was incorporated on 20 August 2015 with an authorised share capital of HK\$390,000 divided into 39,000,000 ordinary shares of HK\$0.01 each.
- (b) On 19 May 2016, the Company passed written resolution pursuant to which the authorised share capital of the Company was increased by HK\$49,610,000 by the creation of 4,961,000,000 shares of par value HK\$0.01 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

22. OPERATING LEASES

The Group as lessee

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

	2018 HK\$'000	2017 HK\$'000
Minimum lease payments under operating leases:		
Within one year	9,033	8,350
In the second to fifth years inclusive	15,703	16,173
	24,736	24,523

Operating lease payments represent rentals payable by the Group for its office and premises used for provision of medical and dental services. These leases are negotiated for lease terms ranging from one to five years (2017: one to five years) with fixed monthly rentals. None of the lease include any contingent rentals.

The Group as lessor

Property rental income earned during the year was HK\$762,000 (2017: nil). The property has committed tenant for the next three years and it is rented to Face Factor, a related company of the Group. Please refer to notes 17 and 23 for details.

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

	2018 HK\$'000	2017 HK\$'000
Minimum lease payments under operating leases:		
Within one year	780	–
In the second to fifth years inclusive	912	–
	1,692	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

23. RELATED PARTY DISCLOSURES

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

Name of related company	Relationship	Nature of transaction	2018 HK\$'000	2017 HK\$'000
Face Factor	Related company	Rental income	762	–

- (ii) Compensation of key management personnel
The remuneration of directors and other members of key management during the year was as follows:

	2018 HK\$'000	2017 HK\$'000
Short-term benefits	5,811	4,463
Post-employments benefits	107	105
	5,918	4,568

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

24. RETIREMENT BENEFITS PLAN

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

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

The total expenses of HK\$1,389,000 (2017: HK\$1,157,000) recognised in profit or loss represents contributions paid or payable to the above schemes by the Group for the year ended 31 March 2018.

25. CAPITAL RISK MANAGEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

25. CAPITAL RISK MANAGEMENT *(Continued)*

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

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	74,776	90,930
Financial liabilities		
Amortised cost	9,131	7,445

Financial risk management objectives and policies

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

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate short-term bank deposits (see note 18). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is low.

The Group is exposed to cash flow interest rate risk relates primarily to variable-rate bank balances (see note 18) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

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

Foreign currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

26. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

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

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

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

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

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

Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 6 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 March 2018				
Accounts and other payables	–	9,131	9,131	9,131
	Weighted average interest rate %	On demand or less than 6 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 March 2017				
Accounts and other payables	–	7,445	7,445	7,445

Fair value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

27. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2018 and 2017 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
			2018	2017	
Medinet (BVI) Limited	BVI 12 August 2015	US\$1,000 ordinary shares	100%	100%	Investment holding
Well Being	Hong Kong 22 December 1994	HK\$10,000,000 ordinary shares	100%	100%	Provision of dental solutions and dental services
Medinet Services	Hong Kong 29 March 1994	HK\$10,000,000 ordinary shares	100%	100%	Provision of medical solutions services
Medinet Health Centre	Hong Kong 9 December 1998	HK\$500,000 ordinary shares	100%	100%	Provision of medical consultation service
Men's Health Solutions Limited	Hong Kong 20 October 2003	HK\$10,000 ordinary shares	100%	100%	Provision of medical consultation service
Medinet Genetics Limited	Hong Kong 12 December 2017	HK\$2,000,000 ordinary shares	100%	–	Inactive
Medinet Privilege Limited	Hong Kong 22 August 2016	HK\$10,000 ordinary shares	100%	100%	Provision of online service to sell dental and medical consultation services
POM Healthcare Management Limited ("POM") (Note)	Hong Kong 25 April 2016	HK\$10,000 ordinary shares	–	51%	Provision of medical consultation service
Jiangmen Medinet Clinic Limited** 江門醫滙綜合門診部有限公司	PRC 29 September 2017	RMB5,000,000 registered capital	100%	–	Provision of medical and dental consultation services
Shenzhen Medinet Dental Clinic Limited** 深圳醫滙卓越時代口腔門診部	PRC 23 August 2017	RMB3,000,000 registered capital	100%	–	Provision of dental services
Medinet Medical Services (Shenzhen) Limited** 醫滙醫療服務(深圳)有限公司	PRC 23 February 2017	HK\$1,000,000 registered capital	100%	100%	Provision of medical consultation service

Note: The Company disposed POM to the non-controlling shareholder of POM on 22 May 2017 at a consideration of approximately HK\$3,000. The amounts of net assets attributable to POM comprise of bank balance of HK\$9,700, amount due from a shareholder of HK\$4,900 and amount due to a director of HK\$12,200.

** English translation for identification purpose only.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Investment in a subsidiary	79,462	73,212
Amount due from a subsidiary	44,503	–
	123,965	73,212
Current assets		
Amount due from a director	– ⁺	– ⁺
Amounts due from subsidiaries	2,972	57,287
Other receivable and prepayment	161	160
Bank balance	189	190
	3,322	57,637
Current liabilities		
Accruals	–	60
Amounts due to subsidiaries	–	265
	–	325
Net current assets	3,322	57,312
Net assets	127,287	130,524
Capital and reserves		
Share capital	10,400	10,400
Reserves	116,887	120,124
Total equity	127,287	130,524

⁺ Less than HK\$1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in the Company's reserves:

	Share premium HK\$'000 (note i)	Capital reserve HK\$'000 (note ii)	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2016	73,212	796	1,287	75,295
Loss and total comprehensive expense for the year	–	–	(5,776)	(5,776)
Issue of new shares	51,853	–	–	51,853
Dividend	–	–	(1,248)	(1,248)
At 31 March 2017	125,065	796	(5,737)	120,124
Loss and total comprehensive expense for the year	–	–	(3,237)	(3,237)
At 31 March 2018	125,065	796	(8,974)	116,887

Notes:

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

29. SUBSEQUENT EVENT

On 18 April 2018, the Group had entered into a Memorandum of Understanding agreement with Tradewide Investments Limited, an independent third party of the Group, to acquire a company which is mainly engaged in provision of dental services. The transaction has not yet completed up to the date of this report.

FINANCIAL SUMMARY

For the five years ended 31 March 2014, 2015, 2016, 2017 and 2018

RESULTS

	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	77,520	86,933	92,576	99,206	97,830
Profit/(loss) before taxation	6,800	12,736	58	(3,638)	(13,178)
Income tax (expense) credit	(1,258)	(2,187)	(2,314)	(865)	474
Profit (loss) for the year	5,542	10,549	(2,256)	(4,503)	(12,704)

ASSETS AND LIABILITIES

	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Total assets	118,945	133,074	47,747	100,862	90,942
Total liabilities	(71,170)	(67,059)	(25,153)	(21,761)	(23,771)
Net assets	47,775	66,015	22,594	79,101	67,171

MediNet Group Limited

醫匯集團有限公司

