

# MediNet Group Limited 醫匯集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8161

# PLACING

Sponsor



大有融資有限公司  
**MESSIS CAPITAL LIMITED**

Bookrunner and Lead Manager



鼎成證券有限公司  
Gransing Securities Co., Limited

## IMPORTANT

*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

# MediNet Group Limited 醫匯集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

## LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

**Number of Placing Shares : 260,000,000 Placing Shares**  
**Placing Price : Not more than HK\$0.27 per Placing Share and expected to be not less than HK\$0.25 per Placing Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)**  
**Nominal value : HK\$0.01 per Share**  
**Stock code : 8161**

### Sponsor



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

### Bookrunner and Lead Manager



**鼎成證券有限公司**  
**Gransing Securities Co., Limited**

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is expected to be determined by the Price Determination Agreement between the Lead Manager (also in its capacity as the Underwriter) and our Company on or before Wednesday, 25 May 2016 or such later date as may be agreed between the parties. If, for any reason, the Lead Manager (also in its capacity as the Underwriter) and our Company are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Lead Manager (also in its capacity as the Underwriter), the Placing will not become unconditional and will lapse. The Placing Price will not be more than HK\$0.27 per Placing Share and is expected to be not less than HK\$0.25 per Placing Share, unless otherwise announced. The Lead Manager (also in its capacity as the Underwriter) may, with the consent of our Company, reduce the above indicative Placing Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Placing Price range will be available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.MediNetGroup.com](http://www.MediNetGroup.com).

Pursuant to the termination provisions contained in the Underwriting Agreement in respect of the Placing Shares, the Lead Manager (also in its capacity as the Underwriter) has the right in certain circumstances, at its sole and absolute discretion, to terminate the obligations of the Underwriter pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the Shares first commence on the Stock Exchange (such first dealing date is currently expected to be on 31 May 2016). Further details of the terms of the termination provisions are set out in the paragraph headed “Grounds for termination” of the section headed “Underwriting” in this prospectus. It is important that you refer to that section for further details.

**Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed “Risk factors” in this prospectus.**

24 May 2016

## CHARACTERISTICS OF GEM

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

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

## EXPECTED TIMETABLE

2016  
(Note 1)

Expected Price Determination Date (Note 2) .....	Wednesday, 25 May
Announcement of the final Placing Price, the level of indication of interests and the basis of allocation in the Placing to be published on our Company's website at <a href="http://www.MediNetGroup.com">www.MediNetGroup.com</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> (Note 3) .....	Monday, 30 May
Allotment of Placing Shares to placees (or their designated person(s)) on or about .....	Monday, 30 May
Despatch of share certificates for the Placing Shares into CCASS on or about (Notes 4 and 5) .....	Monday, 30 May
Dealings in the Shares on GEM to commence at 9:00 a.m. on .....	Tuesday, 31 May

*Notes:*

1. All times and dates refer to Hong Kong local time and date. If there is any change to the above expected timetable, our Company will make a separate announcement to inform investors accordingly. Details of the structure of the Placing, including its conditions, are set out in the section headed "*Structure and conditions of the Placing*" in this prospectus.
2. The Price Determination Date is expected to be on Wednesday, 25 May 2016 or such later date as may be agreed between the parties. If for whatever reason the Lead Manager (also in its capacity as the Underwriter) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date or such other date as our Company and the Lead Manager (also in its capacity as the Underwriter) may agree, the Placing will not proceed and will lapse immediately.
3. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
4. The share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriter. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about Monday, 30 May 2016 for credit to the respective CCASS Participant's stock accounts designated by the Underwriter, the placees or their agents, as the case may be. No temporary documents or evidence of title will be issued.
5. Share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Tuesday, 31 May 2016) provided that (i) the Placing becomes unconditional in all respects and (ii) the right of termination as described in the section headed "*Underwriting — Grounds for termination*" in this prospectus has not been exercised thereto and has lapsed.

**Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Placing, the Lead Manager (also in its capacity as the Underwriter) has the right in certain circumstances, subject to its sole and absolute opinion, to terminate the obligations of the Underwriter under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Tuesday, 31 May 2016). Further details of the terms of the force majeure provisions are set out in the section headed "*Underwriting — Grounds for termination*" in this prospectus.**

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*You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Lead Manager, the Underwriter, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Placing.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.*

*Various expressions used in this summary are defined in the section headed "Definitions and glossary" in this prospectus.*

### BUSINESS OVERVIEW

We are principally engaged in the provision of corporate medical and dental solutions to our Contract Customers (which mainly comprise insurance companies and corporations in terms of revenue) through the design and administration of tailored medical and/or dental benefits plans for the Contract Customers and the provision of different combinations of medical and/or dental services through the MediNet Network to the Plan Members (including members and employees of our Contract Customers), as well as the operation of our MediNet Centres and Dental Clinics offering services to both Plan Members and Self-paid Patients (which generally refer to patients who visit our MediNet Centres and/or Dental Clinics and pay out of their own expenses).

As at the Latest Practicable Date, our MediNet Network comprises:

- (i) our two MediNet Centres located in Central and Tsim Sha Tsui respectively which are operated by our Group and at which our MediNet Doctors offer a range of medical services (mainly including general practitioner consultation services, immunization services, health assessment such as body check and female check-up services, and men's health treatments such as sexual dysfunction evaluation and treatments, sexually transmitted diseases diagnosis and treatments and genetic tests) to both Plan Members (subject to the scope of coverage of different medical benefits plans which, in particular, generally do not cover men's health treatments) and Self-paid Patients;
- (ii) our five Dental Clinics located in Causeway Bay, Central, Kwun Tong, Mong Kok and Tsim Sha Tsui respectively which are operated by us and at which our Dentists and Dental Hygienists offer a range of dental services (mainly including primary dental care such as scaling and polishing, fillings, intra-oral X-rays, routine oral examination, and education and preventive advice, as well as secondary dental care such as teeth restoration, dentures, oral surgery, orthodontics, implants and teeth whitening) to both Plan Members (subject to the scope of coverage of different dental benefits plans which, in particular, generally do not cover secondary dental care services) and Self-paid Patients;

## SUMMARY

- (iii) 391 Affiliated Doctors working at 361 Affiliated Clinics across different locations in Hong Kong which are not operated by our Group but which agree to provide various medical services (mainly including general practitioner consultation services as well as specialist services covering 17 specialties) to the Plan Members by Affiliated Doctors who charge us for such services provided to the Plan Members; and
- (iv) 62 professionals working at 42 Affiliated Auxiliary Services Providers across different locations in Hong Kong which are not operated by our Group but which agree to provide various auxiliary services (mainly including physiotherapy, traditional Chinese medicine, health assessment and diagnostic X-ray and laboratory tests) to the Plan Members and which charge us for such services provided to the Plan Members.

The following table sets forth a breakdown of our revenue during the Track Record Period by type of services provided and by type of customers:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Medical solutions to Contract Customers	49,344	63.7	48,313	55.6	34,987	57.9	38,818	57.6
Medical services to Self-paid Patients	9,013	11.6	13,142	15.1	9,200	15.2	10,895	16.2
Dental solutions to Contract Customers	6,431	8.3	7,194	8.3	4,680	7.7	5,441	8.1
Dental services to Self-paid Patients	<u>12,732</u>	<u>16.4</u>	<u>18,284</u>	<u>21.0</u>	<u>11,570</u>	<u>19.2</u>	<u>12,179</u>	<u>18.1</u>
	<u><u>77,520</u></u>	<u><u>100.0</u></u>	<u><u>86,933</u></u>	<u><u>100.0</u></u>	<u><u>60,437</u></u>	<u><u>100.0</u></u>	<u><u>67,333</u></u>	<u><u>100.0</u></u>

Revenue from the provision of medical solutions to Contract Customers is mainly derived from two types of contracts with different pricing models:

- (1) *Annual retainer model.* Under the annual retainer model, our Contract Customers would generally pay us in advance a fixed amount of annual fee per Plan Member. In return, each Plan Member would generally be entitled to certain amount of medical services free of charge or at specified prices with or without co-payments during the year from all or selected Doctors and Affiliated Auxiliary Services Providers across the MediNet Network.
- (2) *Fee-for-service model.* Under the fee-for-service model, we would generally charge our Contract Customers only when a Plan Member receives medical service through our MediNet Network. The amount that we charge our Contract Customers is generally determined based on a fee scale pre-agreed between us and the Contract Customers for each type of medical service to which the Plan Members are entitled.

## SUMMARY

Revenue from the provision of dental solutions to Contract Customers is generally derived from annual retainer contracts, where our Contract Customers would generally pay us in advance a fixed amount of annual fee per Plan Member and in return, each Plan Member would generally be entitled to certain amount of dental services free of charge or at specified prices with or without co-payments during the year through our Dental Clinics.

Revenue from the provision of medical and dental services to Self-paid Patients represents revenue derived from the rendering of medical and dental services at our MediNet Centres and Dental Clinics to Self-paid Patients (which generally refer to patients who visit our MediNet Centres and Dental Clinics and who pay out of their own expenses, such as walk-in patients as well as Plan Members who pay for a portion or the entire amount of fees incurred for the services received that do not fall within the scope of the relevant benefits plans or that require co-payment). Our MediNet Centres and Dental Clinics accept payments from Self-paid Patients by cash or credit card (and, in certain cases, EPS), with an option of credit card payment by installments available for certain types of relatively expensive dental treatments.

The following table sets forth a breakdown of our revenue derived from Contract Customers by annual retainer model and fee-for-service model:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
					HK\$'000	%	HK\$'000	%
	(unaudited)							
<b>Medical solutions to Contract Customers</b>								
— Annual retainer model	13,826	24.8	13,348	24.0	8,822	22.2	13,558	30.6
— Fee-for-service model	<u>35,518</u>	<u>63.7</u>	<u>34,965</u>	<u>63.0</u>	<u>26,165</u>	<u>66.0</u>	<u>25,260</u>	<u>57.1</u>
Sub-total	<u>49,344</u>	<u>88.5</u>	<u>48,313</u>	<u>87.0</u>	<u>34,987</u>	<u>88.2</u>	<u>38,818</u>	<u>87.7</u>
<b>Dental solutions to Contract Customers</b>								
— Annual retainer model	<u>6,431</u>	<u>11.5</u>	<u>7,194</u>	<u>13.0</u>	<u>4,680</u>	<u>11.8</u>	<u>5,441</u>	<u>12.3</u>
<b>Total</b>	<u>55,775</u>	<u>100.0</u>	<u>55,507</u>	<u>100.0</u>	<u>39,667</u>	<u>100.0</u>	<u>44,259</u>	<u>100.0</u>

An annual retainer model means that we will enjoy a fixed income (i.e. the fixed amount of annual fee per Plan Member) but face the risk of an uncertain variable cost (which depends on the future usage of medical/dental services by the Plan Members through our MediNet Network during the following year). For further information in relation to such risk, please refer to the section “*Risk factors — Annual retainer contracts entered into between us and certain Contract Customers expose us to the risk of uncertain or even negative profit margin due to uncertain variable costs*” in this prospectus. Under the annual retainer model, our pricing in respect of the amount of annual fee per Plan Member is determined on a case-by-case basis based on our estimation of the costs that will be incurred by us having regard to a number of factors including (i) the scope of medical and/or dental services covered by the relevant medical/dental benefits plans; (ii) the number of points of services within our MediNet Network to

## SUMMARY

which the Plan Members are entitled to have access; (iii) the amount of co-payment, if any, agreed to be borne by the Plan Members; and (iv) the actual data retained by us in respect of the historical usage of medical/dental services by different Plan Members through our MediNet Network.

Depending on our agreements with different Contract Customers, Plan Members may have access to all or selected points of services across our MediNet Network. Typically, in respect of medical solutions Contract Customers, Plan Members may have access to some or all of our MediNet Centres, Affiliated Clinics and Affiliated Auxiliary Services Providers; while in respect of dental solutions Contract Customers, Plan Members normally have access to all of our Dental Clinics (and there were no affiliated dental service providers under our MediNet Network for the provision of dental services to Plan Members during the Track Record Period and up to the Latest Practicable Date). The following table sets forth a breakdown of our revenue derived from Contract Customers under fee-for-service contracts by types of points of services from which Plan Members received the relevant services (while a similar breakdown of revenue derived from Contract Customers under annual retainer contracts is not practicable as the relevant fees are generally payable by Contract Customers to us upfront irrespective of whether any Plan Members eventually utilise any services through our MediNet Network):

	<b>Nine-month period ended</b>							
	<b>31 December</b>							
	<b>FY2013/14</b>		<b>FY2014/15</b>		<b>2014</b>		<b>2015</b>	
<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	
	(unaudited)							
<b>Fee-for-service revenue</b>								
— MediNet Centres	1,973	5.6	2,062	5.9	1,665	6.4	1,829	7.2
— Affiliated Clinics and Affiliated Auxiliary Services Providers	<u>33,545</u>	<u>94.4</u>	<u>32,903</u>	<u>94.1</u>	<u>24,500</u>	<u>93.6</u>	<u>23,431</u>	<u>92.8</u>
	<u><u>35,518</u></u>	<u><u>100.0</u></u>	<u><u>34,965</u></u>	<u><u>100.0</u></u>	<u><u>26,165</u></u>	<u><u>100.0</u></u>	<u><u>25,260</u></u>	<u><u>100.0</u></u>

During the Track Record Period, the overall retention rates of (i) the Group's professional staff were 73.5%, 82.4% and 65.7%; and (ii) Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers were 95.9%, 92.3% and 96.2%; while the overall turnover rates of (i) the Group's professional staff were 26.5%, 17.6% and 34.3%; and (ii) Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers were 4.1%, 7.7% and 3.8% for FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, respectively. For details of the material terms of agreements with Affiliated Doctors and Affiliated Auxiliary Services Providers, please refer to the section "*Business — Suppliers — Affiliated Doctors and Affiliated Auxiliary Services Providers*" in this prospectus.

Our costs of operations mainly include, among others, (i) fees to Affiliated Doctors and Affiliated Auxiliary Services Providers for services provided by them to Plan Members; (ii) costs of our medical and dental professional staff, including our MediNet Doctors, Dentists, Dental Hygienists and other professional staff working at our MediNet Centres and Dental Clinics; (iii) staff costs for our management, administrative and other back-office staff; (iv) rental expenses for our various leased premises which are used as our head office as well as our MediNet Centres and Dental Clinics; and (v)

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costs of medical and dental supplies such as drugs and medicine and other consumables for use in the provision of services to both Plan Members and Self-paid Patients at our MediNet Centres and Dental Clinics.

We have an operating history of over 20 years in Hong Kong. As at the Latest Practicable Date, we had ten Dentists and three Dental Hygienists providing dental services at our five Dental Clinics, as well as three MediNet Doctors providing medical services at our two MediNet Centres.

### **BUSINESS DEVELOPMENT**

During the Track Record Period, our new businesses from Contract Customers were generally obtained through direct approach by the Contract Customers to us, which is considered by our Directors to be attributable to our well-established presence and reputation in the corporate medical and dental solutions industries in Hong Kong. In addition, we maintain relationships with our existing Contract Customers and attract them to renew contracts with us by ensuring and continuously enhancing the quality of our services, maintaining our reputation in the industry, and liaising with existing and potential customers from time to time for relationship building and management. We also perform other business development activities such as maintaining our corporate websites which contain health related information, and the distribution of MediNet Network directory pamphlets to our Contract Customers which contain updated information regarding our MediNet Network. During the Track Record Period, we also engaged or cooperated with certain external websites operators for the display of information relating to our health assessment services offered through our MediNet Centres on their websites. In addition, we also provided brochures and pamphlets in our MediNet Centres and Dental Clinics which contained health related information.

### **COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS**

According to the Ipsos Report, there were approximately 16 corporate medical solutions providers in Hong Kong as of 2014. The three largest corporate medical solutions providers in Hong Kong in 2014 together accounted for approximately 75.2% of the total revenue of the Hong Kong corporate medical solutions industry in 2014. Our Group ranked fourth, sharing approximately 2.5% of the total revenue of the provision of corporate medical solutions in Hong Kong. In addition, there were approximately 4,260 private medical clinics in Hong Kong in 2014 and, based on the total revenue of the private outpatient medical industry in Hong Kong of approximately HK\$25.3 billion in 2014 and our revenue from the provision of medical services to Self-paid Patients of approximately HK\$13.1 million for FY2014/15, our market share in the private outpatient medical services industry in Hong Kong was approximately 0.05%. Furthermore, there were approximately 1,480 private dental clinics in Hong Kong in 2014 and, based on the total revenue of the private dental services industry in Hong Kong of approximately HK\$4,929.9 million in 2014 and our revenue from the provision of dental services to Self-paid Patients of approximately HK\$18.3 million for FY2014/15, our market share in the private dental services industry in Hong Kong was approximately 0.37%. For further information regarding the competitive landscape of the industry in which we operate, please refer to the section “*Industry overview*” in this prospectus.

We believe that our competitive strengths include: (i) our well-established presence in the corporate medical solutions industry in Hong Kong and well-established MediNet Network; (ii) our long-term rapport with major customers and suppliers; and (iii) our experienced and dedicated management team.

## SUMMARY

### **BUSINESS STRATEGIES**

We intend to pursue the following business 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 larger premises in the respective same districts; (ii) purchasing 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 benefits plans for our Contract Customers.

### **RISK FACTORS**

Potential investors are advised to carefully read the entire section “*Risk factors*” in this prospectus before making any investment decisions on the Placing Shares. Some of the more particular risks relating to our business include: (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) sub-standard services provided by, or misconduct of, our Affiliated Doctors and Affiliated Auxiliary Services Providers may adversely affect our reputation, operations and profitability; (iv) our business operation is subject to extensive Government regulations and any failure to comply with such regulations could result in penalties; (v) annual retainer contracts entered into between us and certain Contract Customers expose us to the risk of uncertain or even negative profit margin due to uncertain variable costs; (vi) 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; (vii) we have limitations in promoting our business of MediNet Centres and Dental Clinics operations; and (viii) the performance of our Group depends on our ability to retain and attract skilled and qualified medical and dental professionals.

## SUMMARY

### KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period:

	FY2013/14 <i>HK\$'000</i>	FY2014/15 <i>HK\$'000</i>	Nine-month period ended 31 December	
			2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i>
<b><i>Results of operations</i></b>				
Revenue	77,520	86,933	60,437	67,333
Profit (loss) before taxation	6,800	12,736	5,795	(2,347)
Profit (loss) for the year/period	5,542	10,549	4,717	(3,976)
<b><i>Cash flows</i></b>				
Operating cash flows before movements in working capital	10,726	16,258	8,472	597
Net cash generated from (used in) operating activities	4,830	14,125	8,659	(2,300)
Net cash (used in) generated from investment activities	(2,453)	(5,365)	(3,381)	15,878
Net cash generated from (used in) financing activities	5,648	(7,450)	(5,912)	(3,963)
	<b>As at 31 March 2014 <i>HK\$'000</i></b>	<b>As at 31 March 2015 <i>HK\$'000</i></b>	<b>As at 31 December 2015 <i>HK\$'000</i></b>	
<b><i>Financial position</i></b>				
Non-current assets	93,102	86,429	3,237	
Current assets	25,843	46,645	38,993	
Non-current liabilities	25,802	25,934	20	
Current liabilities	45,368	41,125	21,336	
Net current assets/(liabilities)	(19,525)	5,520	17,657	
Total equity	47,775	66,015	20,874	
	<b>FY2013/14 or as at 31 March 2014</b>	<b>FY2014/15 or as at 31 March 2015</b>	<b>Nine-month period ended or as at 31 December 2015</b>	
<b><i>Key financial ratios</i></b>				
Net profit margin	7.1%	12.1%	Net loss	
Return on equity	11.6%	16.0%	Net loss	
Return on total assets	4.7%	7.9%	Net loss	
Current ratio	0.6	1.1	1.8	
Accounts receivables turnover days	39.5	40.0	37.7	
Accounts payables turnover days	112.9	107.3	78.8	
Gearing ratio	95.5%	59.3%	0.0%	
Interest coverage	8.2 times	14.3 times	Net loss	

## SUMMARY

Our profit for the year increased significantly from approximately HK\$5.5 million for FY2013/14 to approximately HK\$10.5 million for FY2014/15 mainly due to an increase in our revenue from the provision of dental solutions to Contract Customers as well as medical and dental services to Self-paid Patients, coupled with a considerably smaller increase in our medical and dental professional services expenses. This was because the largest components of our medical and dental professional services expenses were fees to Affiliated Doctors and Affiliated Auxiliary Services Providers and reimbursements to Plan Members, which generally increase along with an increase in the level of usage of medical services by Plan Members at Affiliated Doctors and Affiliated Auxiliary Services Providers, but have no direct correlation with an increase in revenue from the provision of dental solutions to Contract Customers and medical and dental services to Self-paid Patients.

We recorded a loss of approximately HK\$4.0 million for the nine-month period ended 31 December 2015, mainly due to the recognition of significant non-recurring Listing expenses of approximately HK\$9.2 million for the period. After excluding the effect of the Listing expenses, our profit for the nine-month period ended 31 December 2015 would have been approximately HK\$5.2 million, representing an increase of approximately 10.9% from the profit of approximately HK\$4.7 million for the nine-month period ended 31 December 2014. For further information, please refer to the section headed “*Risk factors — Our past financial performance may not be indicative of our future financial performance and we have experienced a decline in profit for the nine-month period ended 31 December 2015 compared to the corresponding period in 2014*”.

Our Directors estimated a loss of approximately HK\$2.5 million for FY2015/16, mainly due to the expected non-recurring Listing expenses to be incurred for the period of approximately HK\$10.4 million. If such expected Listing expenses were excluded, the estimated consolidated profit attributable to the owners of the Company for FY2015/16 would still be lower than the profit for the year for FY2014/15. The decrease would be mainly attributable to the increase in other losses due to the decrease in the fair value of our held-for-trading investments (being listed equity securities in Hong Kong) as a result of the general downturn of the financial markets. The Directors believe that the estimated loss for FY2015/16 would be affected by a number of factors, including but not limited to, the cut-off for the recognition of revenue, operating costs and various expenses of the Group. For further information, please refer to the sections headed “*Risk factors — The financial results of our Group for FY2015/16 will be materially and adversely affected by one-off Listing expenses*” and “*Financial information — Loss estimate for the year ended 31 March 2016*” in this prospectus.

We were in a net current liabilities position as at 31 March 2014, primarily due to (i) the lock-up of a significant amount of our financial resources in the form of a leasehold property which was classified under our non-current assets; (ii) the current portion of the mortgage loan in connection with such property which was classified under our current liabilities; and (iii) the classification of a substantial amount due from a related party (being MediNet Holdings) of approximately HK\$13.0 million under our non-current assets (rather than current assets) as at 31 March 2014.

The aforesaid leasehold property was a residential property located at House 57, Cedar Drive, Redhill Peninsula, Tai Tam, Hong Kong which was purchased by Well Being Dental in June 2009 for use as the residence of Mr. Chan and Ms. Jiang. It was pledged as security for mortgage loan with an outstanding principal amount of approximately HK\$20.2 million, HK\$19.1 million and nil as at 31 March 2014, 31 March 2015 and 31 December 2015 respectively. Well Being Dental has, on 12 August 2015, entered into a sale and purchase agreement for the disposal of such property for a consideration of

## SUMMARY

HK\$83.5 million and the completion of such disposal took place on 15 October 2015. For further information regarding the property, please refer to the section headed “*Business — Properties — Owned property during the Track Record Period*” and the property valuation set out in Appendix IV in this prospectus. As a result of such disposal, we recorded a significant increase in our current assets and a significant decrease in our non-current assets as at 31 December 2015.

### ACCUMULATED LOSSES

Our Group recorded accumulated losses as at 1 April 2013 and 31 March 2014 in our consolidated statements of changes in equity:

	As at			
	1 April 2013	31 March 2014	31 March 2015	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Accumulated losses) Retained profits	(14,100)	(8,558)	1,991	1,612

The accumulated losses of approximately HK\$14.1 million as at 1 April 2013 were mainly caused by the combined effect of the following factors:

- (i) Throughout our history up to 1 April 2013, we declared and paid dividends in the aggregate amount of HK\$40.2 million, which significantly reduced the retained profits of our profitable subsidiaries.
- (ii) Well Being Dental acquired a residential property located at House 57, Cedar Drive, Redhill Peninsula, Tai Tam, Hong Kong in June 2009 for use as the residence of Mr. Chan and Ms. Jiang (see the section headed “*Business — Properties — Owned property during the Track Record Period*” for further information). After the acquisition of such property, Well Being Dental incurred substantial amount of finance costs for the mortgage loan as well as depreciation charges in relation to such leasehold property, which were unrelated to the operation of our Group but which nonetheless resulted in Well Being Dental becoming loss-making afterwards. Such depreciation charges and finance costs accumulated in an aggregate amount of approximately HK\$8.5 million and HK\$11.2 million as at 1 April 2013 and 31 March 2014, respectively. As a result of the above and coupled with the declaration and payment of dividends by Well Being Dental in the financial year ended 31 March 2010 which substantially wiped out its retained profits, Well Being Dental recorded accumulated losses as at 1 April 2013. Well Being Dental disposed of the residential property in October 2015 and therefore ceased to incur the aforesaid finance costs and depreciation charges in relation to the property.
- (iii) Men’s Health Solutions recorded accumulated losses of approximately HK\$2.4 million as at 1 April 2013. It was incorporated in October 2003 and had been loss-making up to the financial year ended 31 March 2009. Accumulated losses amounted to approximately HK\$4.4 million as at 31 March 2009. Since the financial year ended 31 March 2010, due to our efforts in improving its operations, Men’s Health Solutions started to record profits and its accumulated losses started to decrease. Despite this, it still recorded accumulated losses as at 1 April 2013. During FY2013/14, we temporarily closed down part of our Tsim Sha Tsui

## SUMMARY

MediNet Centre for approximately two months for renovation such that, among other things, a designated separate area was set up for our men's health treatments services after the renovation for higher privacy and comfort for our Self-paid Patients seeking men's health treatments at our MediNet Centre in Tsim Sha Tsui. This resulted in a substantial further improvement in the operation and profitability of Men's Health Solutions during the Track Record Period.

We recorded a decrease in our accumulated losses to approximately HK\$8.6 million as at 31 March 2014, which further improved to become retained profits of approximately HK\$2.0 million as at 31 March 2015, mainly due to the profitable operations of our Group in FY2013/14 and FY2014/15 respectively.

As at 31 December 2015, we recorded retained profits of approximately HK\$1.6 million, which was due to (i) our loss-making nine-month period ended 31 December 2015 mainly as a result of the recognition of substantial amount of Listing expenses during the period; (ii) the interim dividends declared in October 2015 to our then Shareholders; and (iii) partially offset by the realisation of property revaluation reserve upon disposal of a leasehold property pursuant to a sale and purchase agreement on 12 August 2015.

### PRE-IPO INVESTMENT BY NSD CAPITAL

On 28 October 2015, NSD Capital, Medinet International and Mr. Chan entered into a sale and purchase agreement pursuant to which NSD Capital acquired 25% of the total issued shares of MediNet BVI for a total consideration of HK\$45,000,000 from Medinet International (the then shareholder of MediNet BVI). Completion of such sale and purchase took place on 28 October 2015. On the basis that NSD Capital will hold 195,000,000 Shares (representing 18.75% of the total issued Shares of our Company) immediately following completion of the Placing and the Capitalisation Issue, the price paid by NSD Capital per Share is approximately HK\$0.2308, representing a discount of approximately 11.23% to the Placing Price of HK\$0.26 per Placing Share (being the mid-point of the stated indicative Placing Price range). For further information, please refer to the section "*History and development — Pre-IPO investment by NSD Capital*" in this prospectus.

### SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Placing, our Company will be owned as to (i) 56.25% by Medinet International, an investment holding company incorporated in the BVI and wholly and beneficially owned by Mr. Chan; (ii) 18.75% by NSD Capital, our pre-IPO investor; and (iii) 25% by public Shareholders.

For the purpose of the GEM Listing Rules, Mr. Chan and Medinet International are our Controlling Shareholders. Please refer to the section "*Relationship with our Controlling Shareholders*" in this prospectus for details. Mr. Chan is our founder, the chairman of the Board, an executive Director and our general manager. Mr. Chan is the spouse of Ms. Jiang, an executive Director. Please refer to the section "*Directors and senior management*" in this prospectus for the biographical information of Mr. Chan and Ms. Jiang.

## SUMMARY

### PLACING STATISTICS

Number of Placing Shares:	260,000,000 Placing Shares
Placing Price:	Not more than HK\$0.27 per Placing Share and expected to be not less than HK\$0.25 per Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)
Market capitalisation of the total issued Shares immediately after completion of the Placing and the Capitalisation Issue:	HK\$260,000,000 (based on HK\$0.25 per Placing Share) to HK\$280,800,000 (based on HK\$0.27 per Placing Share)
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share:	HK\$0.07 (based on HK\$0.25 per Placing Share) to HK\$0.07 (based on HK\$0.27 per Placing Share). Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure. In particular, save for the net proceeds from the Placing, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2015.

### LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$22.7 million, of which approximately HK\$7.7 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$15.0 million, which cannot be so deducted, shall be charged to profit or loss of our Group. Of the approximately HK\$15.0 million that shall be charged to profit or loss of our Group, nil, approximately HK\$0.3 million and approximately HK\$9.2 million have been charged for each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 respectively, and approximately HK\$1.2 million and approximately HK\$4.3 million are expected to be incurred for the remaining three months of FY2015/16 and for the year ending 31 March 2017, respectively. Listing expenses are non-recurring in nature. Our Directors expect that our Group's financial performance for FY2015/16 will be materially and adversely affected by the expenses in relation to the Listing.

### REASONS FOR THE LISTING, FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies. As stated in the section headed "*Business — Business strategies*" in this prospectus, we plan to (i) expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui; (ii) purchase a property for our operation of Dental Clinic in Causeway Bay; and (iii) expand our MediNet Network. The net proceeds of the Placing will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position as an established service provider in the medical and dental industry in Hong Kong and expand our market share. A public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. We believe that a public listing status on

## SUMMARY

GEM could attract potential customers, affiliated doctors, affiliated auxiliary services providers and other suppliers and strengthen our competitiveness in the market. The Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in future business development of our Group. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

The net proceeds to be received by us from the Placing based on the Placing Price of HK\$0.26 per Share (being the mid-point of the stated range of the Placing Price), after deducting related expenses to be borne by us, are estimated to be approximately HK\$44.9 million. Our Directors presently intend that the net proceeds will be applied as follows:

- approximately HK\$10.1 million (approximately 22.5% of the net proceeds), approximately HK\$34.2 million (approximately 76.1% of the net proceeds) and approximately HK\$0.3 million (approximately 0.7% of the net proceeds) will be used for expanding the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui, purchasing a property for our operation of Dental Clinic in Causeway Bay, and expanding our MediNet Network, respectively, with the intended timing of the deployment of the proceeds as follows:

	From Latest Practicable Date to 30 September 2016 HK\$'000	From 1 October 2016 to 31 March 2017 HK\$'000	From 1 April 2017 to 30 September 2017 HK\$'000	From 1 October 2017 to 31 March 2018 HK\$'000	From 1 April 2018 to 30 September 2018 HK\$'000	From 1 October 2018 to 31 March 2019 HK\$'000	Total HK\$'000
Expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui	4,160	978	3,557	1,428	—	—	10,123
Purchase a property for our operation of Dental Clinic in Causeway Bay	—	—	33,201	1,000	—	—	34,201
Expand our MediNet Network	50	50	50	50	50	50	300

- approximately HK\$0.3 million (approximately 0.7% of the net proceeds) will be used as our general working capital.

For further information, please refer to the section headed “*Future plans and use of proceeds*” in this prospectus.

### DIVIDEND

We have not declared any dividends for FY2013/14 and FY2014/15. For the nine-month period ended 31 December 2015, we declared interim dividends in the aggregate amount of HK\$51 million to our then Shareholders in October 2015. Such dividends had been fully paid in November 2015 and we financed the payment of such dividends by setting off an equivalent amount due from Mr. Chan and related companies controlled by Mr. Chan.

## SUMMARY

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

### RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of provision of corporate medical and dental solutions to Contract Customers and the operation of our MediNet Centres and Dental Clinics in Hong Kong.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in collecting accounts receivables from customers. Up to the Latest Practicable Date, approximately 99.3% (or approximately HK\$8,156,000) of our accounts receivables as at 31 December 2015 (being approximately HK\$8.2 million) had been settled.

Subsequent to the Track Record Period and up to the Latest Practicable Date, there was no material change in the number of Affiliated Clinics and Affiliated Auxiliary Services Providers within our MediNet Network and there was no change in the number of our MediNet Centres and Dental Clinics.

Our Directors confirm that save for the expenses in connection with the Listing, which are non-recurring in nature, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

### SUSTAINABILITY OF BUSINESS

In relation to our Company's loss estimate for FY2015/16, it is noted that we would generate a lower level of net profit as compared to that for FY2014/15, mainly as a result of the one-off expenses relating to the Listing and other losses that arose from the non-ordinary course of business. The following analysis demonstrates that the business operation of our Group would not be unsatisfactory and our business is sustainable for the coming years.

The sustainability of our Group's business is evidenced by the continuous expansion of our customer base and the ability to retain our existing customers. Our Group has continuously attracted new Contract Customers for the provision of medical and dental solutions while the revenue generated from the new Contract Customers in the respective periods increased by approximately HK\$5.3 million from HK\$0.1 million for the nine-month period ended 31 December 2014 to HK\$5.4 million for the corresponding period in 2015. Furthermore, the ability of our Group to retain our existing customers is evidenced by the high retention rates of existing Contract Customers for medical solutions of 99.0%, 91.6% and 93.4% for FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, respectively. During the Track Record Period and up to the Latest Practicable Date, the top five customers have maintained continuous business relationships with the Group and the length of business relationship ranged from approximately 4 to 20 years.

## SUMMARY

Our Group has engaged in the medical and dental industries in Hong Kong for more than two decades. We have developed into a player with an acceptable scale of operation in this industry comparable to other market players. In relation to our Group's business plan and strategy to sustain our business given the decline in net profit for FY2015/16, our Group will adopt the business strategies as stated in the section headed "*Business — Business strategies*" in this prospectus. Taking into account our long history, the current scale of operation and our customer base, our Directors believe that we can capitalise on the potential business opportunities arising from the continued demand for medical and dental services in Hong Kong and the business can be sustained for a long period.

### LOSS ESTIMATE FOR THE YEAR ENDED 31 MARCH 2016

Estimated consolidated loss attributable to the owners

of the Company (*Note 1*)..... not more than HK\$2.5 million

Unaudited pro forma estimated loss per Share (*Note 2*)..... not more than HK0.24 cents

#### Notes:

1. The estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016, which has taken into account the expected Listing expenses to be incurred during the year ended 31 March 2016 of approximately HK\$10.4 million, is extracted from Appendix III to this prospectus. The bases on which the above loss estimate for the year ended 31 March 2016 has been prepared are summarised in Appendix III to this prospectus. Had the effect of such expected Listing expenses not been taken into account, the estimated consolidated profit attributable to the owners of the Company for the year ended 31 March 2016 would have been approximately HK\$8.0 million.
2. The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016 and on the assumptions that a total of 1,040,000,000 shares were in issue during the year ended 31 March 2016 assuming that the Placing and Capitalisation Issue had been completed on 1 April 2015, without taking into account any shares which may be allotted and issued or repurchase shares referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "Share Capital" in this prospectus, as the case may be. The estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016 has not taken into account any interest income that would have been earned if the proceeds from the Placing had been received by the Company on 1 April 2015.

## DEFINITIONS AND GLOSSARY

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. The following also contains explanations of certain terms used in this prospectus in connection with our Group and our business, where the terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.*

“Affiliated Auxiliary Services Provider”	an auxiliary services provider which is not operated by our Group but which agrees to provide certain auxiliary services to the Plan Members and which charges us for such services provided to the Plan Members
“Affiliated Clinic(s)”	a clinic which is not operated by our Group but which agrees to provide various medical services offered by Affiliated Doctors to the Plan Members
“Affiliated Doctor”	a doctor who agrees to provide various medical services to the Plan Members at Affiliated Clinic(s) and who charges us for such services provided to the Plan Members
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 19 May 2016 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bookrunner” or “Lead Manager”	Gransing Securities Co., Limited, the bookrunner, the lead manager and the Underwriter of the Placing and a licensed corporation to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Business Day”	any day (other than a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning No.8 or above is hoisted or remains hoisted between 9:00 a.m. and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate

## DEFINITIONS AND GLOSSARY

“Capitalisation Issue”	the issue of 779,999,900 Shares to be made upon capitalisation of a sum of HK\$7,799,999 standing to the credit of the share premium account of our Company referred to in the section headed “ <i>Further information about our Group — Written resolutions of the Shareholders dated 19 May 2016</i> ” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Code of Professional Conduct”	the Code of Professional Conduct for the Guidance of Registered Medical Practitioners issued by the Medical Council, as amended from time to time
“Code of Professional Discipline”	the Code of Professional Discipline for the Guidance of Dental Practitioners in Hong Kong issued by the Dental Council, as amended from time to time
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company”	MediNet Group Limited (醫匯集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 August 2015

## DEFINITIONS AND GLOSSARY

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction”	has the meaning ascribed to it under the GEM Listing Rules
“Contract Customers”	customers (mainly comprising insurance companies and corporations in terms of revenue, and, for our provision of dental solutions services, including individuals) who enter into contracts with our Group for our provision of medical and dental solutions services
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and in the case of our Company and unless the context otherwise requires, means Medinet International and Mr. Chan
“core connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 11 November 2015 entered into by the Controlling Shareholders in favour of our Group as further detailed in the section headed “ <i>Other information — Tax and other indemnities</i> ” in Appendix VI to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 19 May 2016 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries) as further detailed in the section headed “ <i>Relationship with our Controlling Shareholders</i> ” of this prospectus
“Dental Clinics”	the dental clinics which are operated by Well Being Dental from time to time and at which our Dentists and Dental Hygienists offer dental services, and there are, as at the Latest Practicable Date, five such dental clinics located, respectively, in Causeway Bay, Central, Kwun Tong, Mong Kok and Tsim Sha Tsui, and a “Dental Clinic” means, where the context so requires, any one of them
“Dental Council”	The Dental Council of Hong Kong
“Dental Hygienists”	the dental hygienists who are employed by Well Being Dental to provide certain dental services at our Dental Clinics from time to time and who are admitted to practise as dental hygienists under the Ancillary Dental Workers (Dental Hygienists) Regulations (Chapter 156B of the Laws of Hong Kong), and a “Dental Hygienist” means, where the context so requires, any one of them

## DEFINITIONS AND GLOSSARY

“Dentists”	the Registered Dental Practitioners who are employed by Well Being Dental to provide dental services at our Dental Clinics from time to time, and a “Dentist” means, where the context so requires, any one of them
“Dentists Registration Ordinance”	the Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Director(s)”	the director(s) of our Company
“Doctors”	collectively, our MediNet Doctors and the Affiliated Doctors, and a “Doctor” means, where the context so requires, any one of them
“EPS”	Easy Pay System, an electronic payment system for merchants and consumers in Hong Kong
“FY2013/14”	the financial year ended 31 March 2014
“FY2014/15”	the financial year ended 31 March 2015
“FY2015/16”	the financial year ended 31 March 2016
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, modified and supplemented from time to time
“General Registers”	collectively, the register of Registered Medical Practitioners kept in accordance with the Medical Registration Ordinance and the register of Registered Dental Practitioners kept in accordance with the Dentists Registration Ordinance, and the “General Register” means, where the context so requires, any one of them
“Government”	the government of Hong Kong
“Group”, “we”, “us” or “our”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants

## DEFINITIONS AND GLOSSARY

“HK Legal Advisers”	Michael Li & Co., the legal advisers to our Company as to Hong Kong laws
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with any Directors, chief executive or substantial Shareholders of our Company, its subsidiaries or any of their respective associates and not otherwise a connected person of our Company
“Ipsos”	Ipsos Limited, an independent market research agency
“Ipsos Report”	a market research report commissioned by us and prepared by Ipsos on the overview of the industries in which our Group operates
“Latest Practicable Date”	16 May 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about Tuesday, 31 May 2016, on which dealings in the Shares first commence on GEM
“Medical Council”	The Medical Council of Hong Kong
“Medical Registration Ordinance”	the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“MediNet BVI”	Medinet (BVI) Limited, a company incorporated in the BVI with limited liability on 12 August 2015, which is a direct wholly-owned subsidiary of our Company and the intermediate holding company of our Group upon completion of the Reorganisation

## DEFINITIONS AND GLOSSARY

“MediNet Centres”	the medical centres which are operated by our Group from time to time and at which our MediNet Doctors offer medical services, and there are, as at the Latest Practicable Date, two such medical centres located, respectively, in Central and Tsim Sha Tsui, and a “MediNet Centre” means, where the context so requires, any one of them
“MediNet Doctors”	the Registered Medical Practitioners who provide medical services at our MediNet Centres from time to time, and a “MediNet Doctor” means, where the context so requires, any one of them
“MediNet Doctors Agreement(s)”	the licence and management services agreement(s) entered into between MediNet Health Centre (a wholly-owned subsidiary of our Company) and each of our MediNet Doctors effective from 1 November 2015, the particulars of which are set out in the section headed “ <i>Business — Compliance and legal proceedings — MediNet Doctors Agreements</i> ”
“MediNet Health Centre”	MediNet Health Centre Limited (醫匯醫務中心有限公司), a company incorporated in Hong Kong with limited liability on 9 December 1998 (which was formerly known as Year Apex International Limited (年峰國際有限公司), then changed its name to MediNet Health Centre Limited (醫療網絡醫務中心有限公司) on 27 January 1999 and to its current name on 27 April 2006) and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“MediNet Holdings”	MediNet Holdings Limited (醫匯控股有限公司), a company incorporated in Hong Kong with limited liability on 22 December 1999, which is 100% beneficially owned by Mr. Chan
“Medinet International”	Medinet International Limited, a company incorporated in the BVI with limited liability on 2 June 2011, which is wholly and beneficially owned by Mr. Chan and is a Controlling Shareholder interested in 56.25% of the entire issued share capital of our Company immediately following completion of the Placing and the Capitalisation Issue
“MediNet Network”	the network of Affiliated Clinics, MediNet Centres, Dental Clinics and Affiliated Auxiliary Services Providers

## DEFINITIONS AND GLOSSARY

“MediNet Services”	MediNet Services Limited (醫匯服務有限公司), a company incorporated in Hong Kong with limited liability on 29 March 1994 (which was formerly known as Melchester Investment Company Limited, changed its name to MediNet Service Limited on 9 August 1994, then changed its name to MediNet Service Limited (醫療網絡服務有限公司) on 8 August 1995 and to its current name on 10 April 2006) and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 19 May 2016 and as amended from time to time
“Men’s Health Solutions”	Men’s Health Solutions Limited (嘉偉男仕健康中心有限公司), a company incorporated in Hong Kong with limited liability on 20 October 2003 (which was formerly known as Men’s Health Solutions Limited, then changed its name to Men’s Health Solutions Limited (漢陽男仕健康中心有限公司) on 5 March 2004 and to its current name on 11 September 2012) and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Mr. Chan”	Mr. Chan Chi Wai Nelson (陳志偉), an executive Director, the chairman of the Board and one of the Controlling Shareholders, as well as the spouse of Ms. Jiang
“Ms. Jiang”	Ms. Jiang Jie (姜洁), an executive Director and the spouse of Mr. Chan
“NSD Capital”	NSD Capital, an exempted company incorporated in the Cayman Islands with limited liability on 17 August 2015, which is one of our Shareholders upon completion of the Reorganisation, details of which are set out in the section headed “ <i>History and development — Pre-IPO investment by NSD Capital</i> ” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Underwriter on behalf of our Company for cash at the Placing Price as described in the section headed “ <i>Structure and conditions of the Placing</i> ” in this prospectus
“Placing Price”	the final placing price for each Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) which will be not more than HK\$0.27 and is expected to be not less than HK\$0.25, such price to be determined in the manner as further described in the section headed “ <i>Structure and conditions of the Placing</i> ” in this prospectus

## DEFINITIONS AND GLOSSARY

“Placing Shares”	260,000,000 Shares being offered by our Company for subscription at the Placing Price pursuant to the Placing
“Plan Members”	members of the medical and/or dental benefits plans administered by our Group, who mainly include: <ul style="list-style-type: none"><li>(i) (with respect to insurance companies which are Contract Customers) policyholders or employees of policyholders;</li><li>(ii) (with respect to corporations which are Contract Customers) employees of corporations and/or their dependents; and</li><li>(iii) (with respect to individuals who are Contract Customers) such individuals</li></ul>
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between the Lead Manager (also in its capacity as the Underwriter) and our Company on or before the Price Determination Date to record and fix the Placing Price
“Price Determination Date”	the date, expected to be on or before Wednesday, 25 May 2016 or such later date as may be agreed between the Lead Manager (also in its capacity as the Underwriter) and our Company, on which the Placing Price is to be fixed
“Registered Dental Practitioner(s)”	dental practitioner(s) who is (are) qualified to practise independent and unsupervised dental practice in Hong Kong and is (are) registered as registered dental practitioner(s) in accordance with the Dental Registration Ordinance
“Registered Medical Practitioner(s)”	medical practitioner(s) who is (are) qualified to practise medicine, surgery and midwifery in Hong Kong and is (are) registered as registered medical practitioner(s) in accordance with the Medical Registration Ordinance
“Reorganisation”	the corporate reorganisation arrangements implemented by our Group in preparation for the Listing which is more particularly described in the section headed “ <i>History and development — Reorganisation</i> ” of this prospectus

## DEFINITIONS AND GLOSSARY

“Self-paid Patients”	patients who visit our MediNet Centres and/or Dental Clinics and pay at their own costs using cash, EPS or credit cards: <ul style="list-style-type: none"><li>(i) (where the patients are not Plan Members) the fees incurred for the treatment received;</li><li>(ii) (where the patients are Plan Members but the treatment received does not fall within the scope of the benefits plan) the uncovered fees incurred for the treatment received; or</li><li>(iii) (where the patients are Plan Members where the relevant benefits plans require co-payment of a portion of the fees by the Plan Members) the co-payment amount for the treatment received as required under the relevant benefits plans</li></ul>
“Senior Counsel”	Dr. William M. F. Wong, Senior Counsel, barrister-at-law in Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Shareholder(s)”	holder(s) of the issued Share(s)
“Significant Shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Sponsor”	Messis Capital Limited, the sponsor for the Listing and a licensed corporation to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and details of our Substantial Shareholders are set out in the section headed “ <i>Substantial Shareholders</i> ” in this prospectus

## DEFINITIONS AND GLOSSARY

“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Track Record Period”	FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015
“Underwriter”	the underwriter of the Placing whose name is set out in the section “ <i>Underwriting — Underwriter</i> ” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing entered into on 23 May 2016 among our Company, the executive Directors, the Controlling Shareholders, the Sponsor, the Lead Manager and the Underwriter relating to the Placing, particulars of which are summarised in the section headed “ <i>Underwriting — Underwriting arrangements and expenses</i> ” in this prospectus
“Well Being Dental”	Well Being Dental Services Limited (康齒服務有限公司), a company incorporated in Hong Kong with limited liability on 22 December 1994 (formerly known as Sun, Edwards & Associates (Dental Surgeon) Limited, then changed its name to Well-Being Services Limited (康齒服務有限公司) on 3 March 1997, and to its current name on 7 September 2001) and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“sq.ft.”	square feet
“%”	per cent.

## FORWARD-LOOKING STATEMENTS

Our Group has included in this prospectus forward-looking statements that are not historical facts, but relate to our Group's intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections headed "*Summary*", "*Risk factors*", "*Industry overview*", "*Business*", "*Financial information*" and "*Future plans and use of proceeds*" to this prospectus, which are, by their nature, subject to risks and uncertainties.

In some cases the words such as "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "plan", "potential", "predict", "propose", "seek", "should", "will", "would" and other similar expressions or the negative use of such words are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group's business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group's business;
- our Company's dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- risks identified under the section headed "*Risk factors*" in this prospectus;
- future developments in the industry in which our Group operate; and
- the trend of the economy of Hong Kong in general.

These statements are based on several assumptions, including those regarding our Group's present and future business strategy and the environment in which our Group will operate in the future. Our Directors confirm that these forward-looking statements are made after due and careful consideration.

Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group's future performance may be affected by various factors including, without limitation, those discussed in the sections headed "*Risk factors*", "*Business*", "*Financial information*" and "*Future plans and use of proceeds*" of this prospectus.

Subject to the requirements of the applicable laws, rules and regulations, our Company does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

## **FORWARD-LOOKING STATEMENTS**

In this prospectus, statements of, or references to, our Group's intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

## RISK FACTORS

*Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Placing Shares. If any of the possible events as described below, or any other risk factors or uncertainties that our Company is unaware of, materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

#### **Our business of provision of corporate medical and dental solutions to Contract Customers is dependent on our ability to maintain our MediNet Network**

One of our principal businesses is the provision of corporate medical and dental solutions to our Contract Customers (which mainly comprise insurance companies and corporations in terms of revenue) through the design and administration of tailored medical and/or dental benefits plans for the Contract Customers and the provision of different combinations of medical and/or dental services through the MediNet Network to the Plan Members (including members and employees of our Contract Customers). As at the Latest Practicable Date, our MediNet Network comprises (i) our two MediNet Centres; (ii) our five Dental Clinics; (iii) 361 Affiliated Clinics; (iv) 42 Affiliated Auxiliary Services Providers.

Our agreements with Affiliated Doctors and Affiliated Auxiliary Services Providers generally include a specified scope of the medical and/or auxiliary services for Plan Members, the agreed fees payable by us after provision of services to Plan Members, the time frame for notification of changes about their clinics, the time frame for notification of termination, etc. Affiliated Doctors and Affiliated Auxiliary Services Providers may terminate the relationship with us and cease to participate in our MediNet Network for any reason provided that advanced notice is given to us in accordance with the agreements entered into with us.

Our Directors consider that one of the reasons that our Contract Customers engage us for the provision of corporate medical and/or dental solutions is our well-established MediNet Network with more than 400 points of services across Hong Kong, providing comprehensive services accessible by Plan Members with ease. Therefore, any failure to maintain relationship with our Affiliated Doctors and Affiliated Auxiliary Services Providers or any failure to maintain sufficient number of service providers within our MediNet Network may negatively affect the number of Contract Customers willing to engage our Group to provide medical and/or dental solutions services, which may in turn materially and adversely affect our business, results of operation and financial condition.

#### **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**

Our Group's business operation and development is, to a significant extent, dependent on our reputation in the medical and dental industry in Hong Kong. However, Doctors, Dentists and other professionals working in the MediNet Network and our Group may from time to time be subject to

## RISK FACTORS

complaints, allegations or legal actions from Contract Customers and Self-paid Patients regarding the sufficiency of patient care, treatment outcome and healthcare services provided. In such event, Contract Customers and/or Self-paid Patients may have the right to lodge a claim, including against our Group, for professional misconduct or negligence arising from the acts or misconduct of Doctors, Dentists and other professionals. While such claims are typically brought against the relevant Doctors, Dentists and other professionals who provided the treatment or service, our Group may be named as a party to claims because the treatment or service in question was provided by a service provider in the MediNet Network. If Doctors, Dentists and other professionals do not have sufficient or appropriate professional indemnity insurance cover or are otherwise unable to settle amounts arising from claims brought by dissatisfied patients, these patients may look to our Group to satisfy their claims, which could lead to potential proceedings. Legal actions against Doctors, Dentists, other professionals or our Group, regardless of their merit or eventual outcome, could result in reputational damage, significant legal costs and diversion of our management's attention from our Group's business operations.

Furthermore, if a legal action is taken by a patient, who is a Plan Member, against the relevant Contract Customer, that Contract Customer may seek to bring an action against our Group for damages suffered as a result of any possible breach of our Group's contractual obligations with the Contract Customer. There is no assurance that our Group would not be named as a defendant in a lawsuit or proceedings brought by Contract Customers and/or Self-paid Patients. A successful claim against our Group in respect of the sufficiency of patient care, treatment outcome and healthcare services provided may result in (i) legal and/or compensation costs incurred in connection with such claim or other adverse allegations, (ii) damage to our Group's brand and reputation and (iii) a material adverse effect on our Group's business, results of operations and financial condition. Such complaints, allegations and legal actions, regardless of their validity, may lead to negative publicity, investigations or disciplinary actions by regulatory or professional bodies. This may in turn damage the reputation of the Doctors, Dentists, other professionals and that of our Group, which could negatively affect the number of Contract Customers willing to engage our Group to provide medical and/or dental solutions as well as Self-paid Patients visiting our MediNet Centres and Dental Clinics.

In addition, Doctors, Dentists and other professionals in our MediNet Network may be subject to disciplinary actions from the governing professional bodies, such as the Medical Council or the Dental Council in Hong Kong. The governing professional bodies may impose sanctions including, among other things, the issue of a warning notice, reprimand and/or removal from the General Registers for a certain period of time or indefinitely if he/she is found guilty of professional misconduct. Where Doctors, Dentists and/or other professionals are involved in medical disputes and/or are subject to complaints or professional investigations, they may be distracted from the provision of medical or dental services to patients and have to divert their time and resources to handle such issues. This could have a material adverse effect on our Group's operation and reputation.

### **Sub-standard services provided by, or misconduct of, our Affiliated Doctors and Affiliated Auxiliary Services Providers may adversely affect our reputation, operations and profitability**

There is no assurance that the Doctors, Dentists and Affiliated Auxiliary Services Providers will not provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical or dental malpractice. Where the Doctors, Dentists and Affiliated Auxiliary Services Providers provide services under our MediNet Network to Plan Members and Self-paid Patients, our

## RISK FACTORS

Group could be perceived as responsible for the actions of the Doctors, Dentists and Affiliated Auxiliary Services Providers and, as a result, suffer reputational damage. This may adversely affect our Group's ability to attract Contract Customers to engage us as a provider of medical and/or dental solutions.

In addition, while our Group generally requires MediNet Doctors, Dentists, external dentists engaged by us, Affiliated Doctors and certain other Affiliated Auxiliary Services Providers to maintain their own professional indemnity insurance, there can be no assurance that they will always have sufficient insurance coverage in place.

**Our business operation is subject to extensive Government regulations and any failure to comply with such regulations could result in penalties**

Our Group's operation of our MediNet Centres and Dental Clinics as well as our services provided through our MediNet Network are subject to extensive laws and regulations. Please refer to the section headed "*Regulatory overview*" in this prospectus for further information. If our Group fails to comply with such laws and regulations, our existing business operations and future expansion plans may be negatively affected. In addition, Government policies governing the healthcare services industry in Hong Kong may evolve and change over time, and new or more stringent policies may be introduced. If our Group fails to comply with any new policies and regulations, or if any policy changes disrupt our Group's business prospects or cause us to incur additional costs, our Group's business, results of operations and financial condition will be negatively affected.

Furthermore, the Doctors, Dentists, and certain other medical and dental professionals providing services at our MediNet Centres or Dental Clinics or through our MediNet Network have to comply with the code of professional conduct or discipline as applicable to them. Should there be any breach of such codes or any change in the provisions of such codes, the relevant medical or dental professionals may be subject to disciplinary actions, which could affect their ability to work at our MediNet Centres or Dental Clinics or through our MediNet Network, and could in turn materially and adversely affect our Group's reputation, business, results of operations and financial condition.

**The financial results of our Group for FY2015/16 will be materially and adversely affected by one-off Listing expenses**

The financial results of our Group will be affected by the one-off expenses relating to the Listing. The estimated expenses in relation to the Listing (including underwriting commission) are approximately HK\$22.7 million, of which approximately HK\$7.7 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$15.0 million, which cannot be so deducted, shall be charged to profit or loss of our Group. The Listing expenses of approximately HK\$10.4 million are expected to be reflected for FY2015/16.

Accordingly, the Shareholders and potential investors should be informed that the financial results of the Group for FY2015/16 will be materially and adversely affected by the non-recurring expenses in relation to the Listing, and potential investors are specifically warned that given the expected increase in Listing expenses after the Listing, our Group's estimated financial performance for FY2015/16 will significantly decline as compared with the prior corresponding year and will be in a loss position after including the Listing expenses. If such expected Listing expenses were excluded, the estimated consolidated profit attributable to the owners of the Company for FY2015/16 would have been

## RISK FACTORS

approximately HK\$8.0 million, which would represent a decrease of approximately HK\$2.6 million, or 32.0% as compared to the profit for the year for FY2014/15. The decrease would be mainly attributable to the increase in other losses due to the decrease in the fair value of our held-trading investments (being listed equity securities in Hong Kong) as a result of the general downturn of the financial markets. Further information regarding the estimate of the consolidated loss of our Group for FY2015/16 is set out in the section headed “*Financial information — Loss estimate for the year ended 31 March 2016*” in this prospectus.

**Our past financial performance may not be indicative of our future financial performance and we have experienced a decline in profit for the nine-month period ended 31 December 2015 compared to the corresponding period in 2014**

For each of FY2013/14 and FY2014/15, our revenue amounted to approximately HK\$77.5 million and HK\$86.9 million respectively (representing an increase of approximately 12.1%), while our net profit amounted to approximately HK\$5.5 million and HK\$10.5 million respectively (representing an increase of approximately 90.3% as well as net profit margin of approximately 7.1% and 12.1% respectively).

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication on and may not necessarily reflect our financial performance in the future. Our future performance will depend on, among other things, our ability to maintain relationship with existing customers, secure new businesses from new customers, maintain our service quality and reputation, control costs, implement our future plan and business strategies, as well as other factors relating to the medical and dental industry in Hong Kong, the general economy in Hong Kong, and other factors that may be beyond our control. Accordingly, our future financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Shares to decline.

In particular, we experienced a decline in profit for the nine-month period ended 31 December 2015 compared to the corresponding period in 2014. For each of the nine-month periods ended 31 December 2014 and 2015, our revenue amounted to approximately HK\$60.4 million and HK\$67.3 million respectively, representing an increase of approximately 11.4%. However, we recorded a profit of approximately HK\$4.7 million for the nine-month period ended 31 December 2014 but a loss of approximately HK\$4.0 million for the nine-month period ended 31 December 2015 mainly as a result of the Listing expenses recognised. After excluding the effect of the Listing expenses, our profit for the nine-month period ended 31 December 2015 would have been approximately HK\$5.2 million, representing an increase of approximately 10.9% from that for the nine-month period ended 31 December 2014. If we are unable to maintain our profit margin, our future financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Shares to decline.

**We recorded net current liabilities as at 31 March 2014 and we may expose ourselves to liquidity risk if we experience net current liabilities in the future**

We recorded net current liabilities of approximately HK\$19.5 million as at 31 March 2014. The net current liabilities position was primarily due to (i) the lock-up of a significant amount of our financial resources in the form of a leasehold property which was classified under our non-current assets; (ii) the current portion of the mortgage loan in connection with such property classified under our

## RISK FACTORS

current liabilities; and (iii) the classification of a substantial amount due from a related party under our non-current assets rather than current assets. The aforesaid leasehold property was a residential property located at House 57, Cedar Drive, Redhill Peninsula, Tai Tam, Hong Kong which was purchased by Well Being Dental in June 2009 for use as the residence of Mr. Chan and Ms. Jiang. It was pledged as security for mortgage loan with an outstanding principal amount of approximately HK\$20.2 million, HK\$19.1 million and nil as at 31 March 2014, 31 March 2015 and 31 December 2015 respectively. Well Being Dental has, on 12 August 2015, entered into a sale and purchase agreement for the disposal of such property for a consideration of HK\$83.5 million and the completion of such disposal took place on 15 October 2015. For further information regarding the property, please refer to the section “*Business — Properties — Owned property during the Track Record Period*” and the property valuation set out in Appendix IV in this prospectus.

As at 31 March 2015 and 31 December 2015, we recorded net current assets of approximately HK\$5.5 million and HK\$17.7 million respectively.

There is no assurance that we will not experience net current liabilities position in the future. We may not have sufficient working capital to meet any current liabilities positions or expand our operations as planned. In such circumstances, our liquidity, business operations, financial condition and prospects may be materially and adversely affected.

### **We have no unutilised banking facilities and net cash outflow from operating activities for the nine-month period ended 31 December 2015, thus may affect our net cash flow position**

Cash flows from operating activities primarily consisted of our Group’s revenue from the provision of medical and dental solutions to Contract Customers and the provision of medical and dental services to Self-paid Patients while operating cash outflow mainly includes payment for medical and dental professional services expenses, staff costs, rental expenses, purchase of medical and dental supplies, as well as other working capital needs. For FY2013/14 and FY2014/15, we recorded a net operating cash inflow of approximately HK\$4.8 million and HK\$14.1 million mainly as a result of cash generated from our profitable operations. For the nine-month period ended 31 December 2015, we recorded a net operating cash outflow of approximately HK\$2.3 million due to our loss recorded for the period, which was mainly because of substantial amount of Listing expenses recognised for the period but which had not yet been fully paid as of 31 December 2015.

As at 31 March 2016, we have no unutilised banking facilities. If during any particular period of time, there exists working capital needs which require substantial cash outflow while we have significantly less cash inflows during that period, our cash flow position may be adversely affected.

### **Annual retainer contracts entered into between us and certain Contract Customers expose us to the risk of uncertain or even negative profit margin due to uncertain variable costs**

We charge some of our Contract Customers based on an annual retainer model, under which our Contract Customers would generally pay us a fixed amount of annual fee per Plan Member. Such pricing model means that we will enjoy a fixed income (i.e. the fixed amount of annual fee per Plan Member) but face the risk of an uncertain variable cost (which depends on the future usage of medical/dental services by the Plan Members through our MediNet Network during the following year). Our pricing under the annual retainer model is generally determined based on our estimation of the costs that will be incurred by us having regard to a number of factors, including but not limited to the expected level of

## RISK FACTORS

usage of medical/dental services by Plan Members through our MediNet Network, which in turn is based on the historical data retained by us in respect of the actual usage of medical services by different Plan Members through our MediNet Network in the past. However, there is no assurance that past usage data will be indicative of future level of usage by Plan Members. In the event that the actual usage of medical/dental services is significantly higher than our estimation, we may experience substantially lower, or even negative, profit margins derived from our annual retainer contracts, which could materially and adversely affect our business, results of operations and financial position.

**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**

During the Track Record Period, the majority of our revenue was derived from services provided to Contract Customers which were insurance companies and corporations. Our Directors consider that policyholders of private insurance companies who choose to receive services through our MediNet Network do so because their private health insurers recognise that our MediNet Network comprises appropriate service providers, and this is often a prerequisite for the insurance companies to pay for or reimburse the fees of a treatment received through our MediNet Network. Accordingly, our ability to attract customers who are funded by insurance companies could be adversely affected if one or more insurance companies for any reason were to remove our MediNet Network from their approved panel of service providers, eliminate the coverage of treatment options through our MediNet Network, impose more onerous reimbursement policies, or change their policies in a manner which makes access to the MediNet Network more difficult or costly to Plan Members. Any change in policy conditions or withdrawal of recognition by an insurance company could have a material adverse effect on our Group's business, results of operations and financial condition.

Our Directors consider that corporations assess the performance of their medical and/or dental solutions providers they engage from time to time and conduct reviews on the level of medical and/or dental benefits provided to their employees. As a result, if corporations cease to engage our Group to provide medical and/or dental solutions or if there are any material changes to the medical and/or dental benefits offered to employees, the value of the contracts that we have with corporations may decrease, which could in turn have a material and adverse effect on our Group's business, results of operations and financial condition.

Our Directors consider that the demand for private medical and/or dental services from Self-paid Patients largely depends on the individual Self-paid Patient's financial ability and willingness to pay. A slowdown in the economy may lead to a general decrease in demand as Self-paid Patients opt for subsidised public healthcare services available at government hospitals and/or defer non-essential healthcare services.

Any decrease in the number of Contract Customers or Self-paid Patients for any reason will have a material and adverse effect on the Group's business, results of operations and financial condition.

## RISK FACTORS

### **We have limitations in promoting our business of MediNet Centres and Dental Clinics operations**

Our MediNet Doctors have to comply with the Code of Professional Conduct for the Guidance of Registered Medical Practitioners issued by the Medical Council of Hong Kong. Our Dentists have to comply with the Code of Professional Discipline for the Guidance of Dental Practitioners in Hong Kong published by the Dental Council of Hong Kong. These two codes respectively set out restrictions on the promotion or dissemination of information about the professional services and practice carried out by them and on publication or marketing efforts for the predominant purpose of promoting their products or services to customers or potential customers. Although such two codes are binding on our MediNet Doctors and Dentists but not on our Group, any marketing or promotional efforts undertaken by us for promoting our MediNet Centres and Dental Clinics operations may affect our MediNet Doctors' and Dentists' compliance with the codes and thus may result in disciplinary actions against them and/or affect their ability to continue to practice at our MediNet Centres and Dental Clinics, which may in turn materially and adversely affect our business, results of operations and financial condition. Therefore, in practice, we have limitations in promoting our business of MediNet Centres and Dental Clinics operations. Our lack of active promotion and marketing efforts for our MediNet Centres and Dental Clinics operations may hinder our ability to strengthen our brand name and reputation and to attract new customers in the future.

### **The performance of our Group depends on our ability to retain and attract skilled and qualified medical and dental professionals**

Our Group's performance depends on our ability to retain and attract skilled and qualified medical and dental professionals, such as Registered Medical Practitioners, Registered Dental Practitioners, Dental Hygienists, nurses and other professionals in Hong Kong. Our Group relies on the services of these professionals to provide the current scope of medical and dental services to Plan Members and Self-paid Patients.

We face intense competition for skilled and qualified medical and dental professionals and we compete with other medical and dental services providers such as healthcare centres and hospitals in both the private and public sectors for suitable candidates. We believe major competitive factors that are crucial to the medical and dental professionals include, among others, the reputation and brand recognition of our Group, professional relationships and platform, number of patient visits, financial remuneration and job satisfaction.

There is no assurance that we could retain and attract skilled and qualified medical and dental professionals in the future. In the event that our Group fails to retain or attract skilled and qualified medical and dental professionals or if our Group loses them to our competitors without being able to find suitable replacements, the quality of the medical and dental services offered at our MediNet Centres and Dental Clinics may suffer, which may in turn lead to a reduction in the number of patient visits and the number of Contract Customers willing to engage our Group to provide medical solutions and dental solutions.

### **Our business strategies and future plans are subject to uncertainties and risks**

The growth of our business depends on the implementation of our future plans in relation to our business. It is our planned business strategies that the proceeds from the Placing will be used for expanding our operation of MediNet Centres and Dental Clinics in Hong Kong, strengthening our team

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of MediNet Doctors, Dentists and Dental Hygienists, and expanding our MediNet Network. Please refer to the sections “*Business — Business strategies*” and “*Future plans and use of proceeds*” in this prospectus for further information.

The ongoing expansion of our business may put significant strain on our managerial, operational and financial resources. There is no assurance that we will be able to successfully manage the growth of our business or that the intended growth of our business can be achieved or will become profitable.

For instance, our ability to expand our MediNet Centres and Dental Clinics operations and to expand our MediNet Network will depend on a variety of factors, including but not limited to our financial and managerial resources, the level of competition in the market, our ability to attract and retain medical and dental professionals, the reputation of our MediNet Network among Plan Members and Self-paid Patients, our ability to identify and capture opportunities in relation to suitable locations for expanding our MediNet Centres and Dental Clinics operations and in relation to suitable clinics and auxiliary services providers for joining our MediNet Network, etc.

In addition, whether our future plans can be implemented successfully depends on various factors which may be beyond our control, such as possible increase in costs related to the expansion of our operation of MediNet Centres and Dental Clinics, our ability to retain and attract sufficient Registered Medical Practitioners, Registered Dental Practitioners and other medical and dental professionals, as well as other risk factors mentioned elsewhere in this section.

There is no assurance that our future plans may be implemented successfully. If we fail to maintain or increase our market share or grow our business successfully after deploying our management and financial resources in accordance with our planned business strategies, our business, results of operations and financial condition may be materially and adversely affected.

### **Our Group is dependent on key personnel and there is no assurance that our Group can retain them**

Our Group’s historical success is substantially attributable to, among other things, the contributions of Mr. Chan (our founder, chairman of the Board, executive Director and general manager), Ms. Li Christine (our assistant general manager who has joined our Group for more than 20 years) and Ms. Ngan Pui Shan, Jane (our financial controller who has joined our Group for more than 19 years). Details of their background and experience are set out in the section “*Directors and senior management*” in this prospectus.

Our key personnel as well as their management experience and industry network are crucial to our business and financial positions and prospects. There could be an adverse impact on our business and financial positions and prospects if any of the aforesaid key personnel cease to serve our Group and appropriate persons cannot be found to replace them. There is no assurance that we will be able to retain and attract capable staff in the future.

### **We are subject to credit risk in respect of our accounts and other receivables**

Although the majority of our revenue during the Track Record Period was derived from Contract Customers which are reputable insurance companies and corporations in Hong Kong, there is no assurance that our customers will always settle our invoices on time and in full. As at 31 March 2014

## RISK FACTORS

and 2015 and 31 December 2015, we recorded accounts receivables of approximately HK\$8,805,000, HK\$10,238,000 and HK\$8,214,000 respectively, of which approximately HK\$3,000, HK\$476,000 and HK\$351,000 respectively had been past due but not impaired as at the end of the respective reporting periods. For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our accounts receivables turnover days were approximately 39.5 days, 40.0 days and 37.7 days respectively.

Any difficulty in collecting a substantial portion of our accounts and other receivables could materially and adversely affect our cash flows and financial position.

**Our costs of operation including, in particular, cost of medical and dental professional services, cost of our medical and dental professional staff, rental expenses, and cost of medical and dental supplies, may increase and any significant changes in the markets of these goods and services could have a material and adverse impact on our business, results of operations and financial condition**

Our costs of operation mainly include cost of medical and dental professional services, cost of our medical and dental professional staff, cost of medical and dental supplies, and rental expenses. Cost of medical and dental professional services include, among others, fees paid to Affiliated Doctors and Affiliated Auxiliary Services Providers for medical services provided to Plan Members and fees paid to external dentists (who are not our own Dentists or Dental Hygienists but who are engaged by us to provide certain dental treatments at our Dental Clinics) for dental services provided to Self-paid Patients. Rental expenses include rental costs of our various leased premises where our head office, MediNet Centres and Dental Clinics are located. Cost of medical and dental supplies include costs of drugs and medicine and other consumables necessary for our MediNet Centres and Dental Clinics operations.

If there are any significant changes in the markets of these goods and services in Hong Kong, such as any significant changes in the demand and supply in the professional labour markets for doctors and dentists, the property leasing market, or the market for medical and dental supplies, our business, results of operations and financial condition may be materially and adversely affected.

For instance, as a general reference for the recent trend of the wage level of doctors in Hong Kong, the average monthly wage of contract doctors with 3 years or more of experience in the public sector in Hong Kong has, according to the Ipsos Report, increased from approximately HK\$48,100 in 2010 to approximately HK\$59,000 in 2014, representing a CAGR of approximately 5.2%. In addition, as a general reference for the recent trend of the wage level of dentists in Hong Kong, the average monthly wage of contract dentists (orthodontics) with 3 years or more of experience in the public sector in Hong Kong has, according to the Ipsos Report, increased from approximately HK\$49,000 in 2010 to approximately HK\$60,000 in 2014, representing a CAGR of approximately 5.2%. Our Directors consider that changes in the general wages of doctors and dentists in Hong Kong could affect the fees charged by Affiliated Doctors and Affiliated Auxiliary Services Providers as well as the costs of our MediNet Doctors and Dentists, which are among our most significant cost components. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our medical and dental professional services expenses on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 3% and 7%, which correspond to the approximately minimum and maximum

## RISK FACTORS

year-on-year fluctuations in the average salary of doctors and dentists as shown in the Ipsos Report (see “Industry overview — Potential challenges — Rising cost of medical and dental professional services” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations in our medical and dental professional services expenses**

	+3%	+7%	-3%	-7%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Change in profit before tax (Note 1)</b>				
FY2013/14	(1,120)	(2,612)	1,120	2,612
FY2014/15	(1,139)	(2,657)	1,139	2,657
Nine-month period ended 31 December 2015	(955)	(2,227)	955	2,227
<b>Change in profit after tax (Note 2)</b>				
FY2013/14	(935)	(2,181)	935	2,181
FY2014/15	(951)	(2,219)	951	2,219
Nine-month period ended 31 December 2015	(797)	(1,860)	797	1,860

*Notes:*

1. Our profit before tax was approximately HK\$6,800,000 for FY2013/14 and approximately HK\$12,736,000 for FY2014/15. We recorded loss before tax of approximately HK\$2,347,000 for the nine-month period ended 31 December 2015.
2. Our profit after tax was approximately HK\$5,542,000 for FY2013/14 and approximately HK\$10,549,000 for FY2014/15. We recorded loss after tax of approximately HK\$3,976,000 for the nine-month period ended 31 December 2015.

Although there has also been a steady increase in the number of registered doctors (from 12,620 in 2010 to 13,417 in 2014, representing a CAGR of approximately 1.5%) and registered dentists (from 2,179 in 2010 to 2,343 in 2014, representing a CAGR of approximately 4.3%) in Hong Kong according to the Ipsos Report, there can be no assurance that there will not be a significant shortage of doctors and/or dentists in Hong Kong in the future, in which case our cost of medical and dental professional services may increase and our business and financial positions and prospects may be materially and adversely affected.

In addition, when our existing leases for our various premises approach expiration, there can be no assurance that our Group will be able to renew them on similar terms or at all. There is also no assurance that the landlords of the premises of our existing head office, MediNet Centres and Dental Clinics will not terminate the respective leases prior to the expiry of the relevant terms. If we are unable to renew the existing leases or are required to relocate our head office, MediNet Centres and/or Dental Clinics, there is no assurance that we will be able to secure comparable locations, or on terms comparable to existing terms. The number of patient visits may decline and our business will suffer if we are unable to relocate our MediNet Centres and/or Dental Clinics to new premises that patients find easily accessible. We may also incur substantial expenses associated with relocation and renovation, which could disrupt our operations and increase our operating costs.

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### **MediNet Centres may be affected by outbreaks of communicable diseases**

Any recurrence of Severe Acute Respiratory Syndrome (or SARS) or an outbreak of any other epidemics in Hong Kong, such as avian influenza A (H5N1 or H7N9) virus or influenza A (H1N1) virus, Middle East Respiratory Syndrome (or MERS), or other communicable diseases could have a material adverse effect on our operations. In the event that such outbreaks occur at any of our MediNet Centres, greater infection control measures may be implemented with the possibility of temporary closures of the affected MediNet Centres and/or quarantine of all affected MediNet Doctors and/or other medical professionals working at the MediNet Centres. Any failure to manage the spread of communicable diseases in Hong Kong may significantly undermine public confidence in the healthcare system and could significantly reduce the number of patient visits to our MediNet Centres as patients defer their treatments or switch to other medical centres for treatments, which could materially and adversely affect our business, results of operations and financial condition.

### **Our financial performance is expected to be affected by non-recurring expenses in relation to the Listing**

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$22.7 million, of which approximately HK\$7.7 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$15.0 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$15.0 million that shall be charged to profit or loss, nil, approximately HK\$0.3 million and approximately HK\$9.2 million have been charged for each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 respectively, and approximately HK\$1.2 million and approximately HK\$4.3 million are expected to be incurred for the remaining three months of FY2015/16 and for the year ending 31 March 2017, respectively. Listing expenses are non-recurring in nature. Our Directors expect that our Group's financial performance for FY2015/16 and for the year ending 31 March 2017 will be materially and adversely affected by the expenses in relation to the Listing.

### **Our insurance coverage may not completely cover the risks related to our business and operations**

According to our Group's policy, MediNet Doctors, Dentists, external dentists engaged by us, Affiliated Doctors and certain Affiliated Auxiliary Services Providers are required to maintain their own professional indemnity insurance against legal costs and compensation payments involved in clinical negligence claim (where such insurances coverage are usually subject to certain limitations including criminal proceedings and fraud allegations that are excluded from the scope of such indemnity). However, there is no guarantee that any claims or litigation brought by patients will not exceed the insurance coverage in place and these patient may look to our Group to satisfy their claims, which could lead to potential proceedings.

In addition, our Group maintains (i) a general office package insurance policy with coverage against, among other matters, accidental loss of or damage to the contents and equipment at our premises including our head office, MediNet Centres and Dental Clinics, business interruption, general public liability, and employees' compensations (as required under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)); (ii) motor vehicles insurance policies for our owned motor vehicles; and (iii) a fire insurance policy for a previously owned residential property. Nevertheless, we may face liabilities that exceed our available insurance coverage or arise from claims

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outside the scope of our insurance coverage. If our Group experiences any business disruption due to outbreaks of communicable diseases or other factors outside of our control or natural or man-made disasters, we may incur significant costs that may not be covered by insurance at all. Any costs arising from uninsured losses could have a material adverse effect on our business, results of operations and financial condition.

### **Failure to protect information of our Contract Customers, Self-paid Patients and/or Plan Members from leakage or improper use could expose our Group, Doctors, Dentists and/or Affiliated Auxiliary Services Providers to claims or litigation**

Doctors, Dentists and certain Affiliated Auxiliary Services Providers are required by the applicable codes of professional conduct or discipline not to disclose medical information of patients to any third party without patient's consent (except in certain specific circumstances). In Hong Kong, we are also subject to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), which limits the use of personal data of individual patients collected by our Group to such purposes for which they were collected, or for a directly related purpose, and prohibits the provision of patients' medical records to a third party without due authorisation from the patients. We have internal control measures in place relating to confidentiality policies and measures but there can be no assurance that such policies and measures can completely prevent leakage of customers' or patients' personal information or prevent such information from being used for an improper purpose. Any breach of our confidentiality obligations towards patients and/or customers could expose our Group, Doctors, Dentists and/or Affiliated Auxiliary Services Providers to potential liabilities, such as claims or litigation, which may have an adverse impact on our Group's reputation and business and financial position and prospects.

### **We have held-for-trading investments, including various equity securities listed on the Stock Exchange, which may be subject to market volatility and may decrease in value**

As at 31 March 2014 and 2015 and 31 December 2015, we had held-for-trading investments which amounted to approximately HK\$659,000, HK\$4,583,000 and HK\$3,758,000 respectively. Such held-for-trading investments included certain equity securities listed on the Stock Exchange, which were purchased with our idle funds in the past and held for trading purposes.

The value of held-for-trading investments are subject to a variety of risks including but not limited to market risk, liquidity risk, company-specific risks, etc. The value may increase or decrease or even become valueless. In the event that the value of held-for-trading investments significantly decreases or becomes valueless, our liquidity and financial condition may be adversely affected.

## **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

### **Our business operations are affected by competition from other corporate medical and dental solutions providers and medical and dental services providers in Hong Kong**

The corporate medical and dental solutions industry and the medical and dental services industry in Hong Kong are highly competitive. While we strive to strengthen our position as an established service provider in the industry, we face intense competition from other corporate medical and dental solutions providers and medical and dental services providers in both the public and private sectors in Hong Kong. Our ability to compete effectively with our competitors depends on a variety of factors, such as service quality, brand recognition, geographical coverage, reputation, cost control, sufficiency of

## RISK FACTORS

professional staff, fees level, as well as other factors mentioned elsewhere in this section. Any significant competitive advantages possessed by our competitors may enable them to increase their market shares which may result in a lower profit margin and loss of market share for us. If we cannot compete effectively or maintain or grow our market share, our business, results of operations and financial condition may be materially and adversely affected.

### **We rely on a single geographical market (i.e. Hong Kong) and any adverse economic, social and/or political conditions affecting the market may adversely affect our business**

Currently, our Group's business operations are based in Hong Kong. Our business operations and the demand for our services are therefore exposed to any material region-wide adverse events such as any deterioration in the economic, social, regulatory and/or political conditions in Hong Kong and any occurrence of social unrest, strike, riot, civil disturbance, disobedience, natural disasters or terrorist attacks in Hong Kong. Due to the limited geographical coverage of our operations, the aforesaid incidents may materially and adversely affect our business, results of operations and financial condition.

### **Unpredictability as to future development on regulations and enactment of new laws relating to the medical and/or dental industry may adversely affect our operations**

There is always a degree of unpredictability in relation to what new laws and regulations will be applicable to our business. The Government may impose more stringent compliance standards or regulations in connection with the corporate medical and dental solutions industry and/or the medical and dental services industry in Hong Kong. Any change in compliance standards or any new laws or regulations may render it more restrictive for us to conduct our business. In this connection, there is no assurance that we will be able to adapt to such changes within a short period of time, and the failure to sufficiently and promptly respond to such changes may materially and adversely affect our business, financial condition and results of operation. Further, compliance with new rules, laws and regulations may increase our operating costs and in turn, lower our profit margins and may have a material adverse effect on the results of our operations.

In particular, the Food and Health Bureau of the Government issued the Consultation Document on the Regulation of Private Healthcare Facilities in December 2014, which will, in the opinion of the Senior Counsel, likely lead to changes designed to govern corporate structures such as our Group, i.e. facilities providing medical services under the management of incorporated bodies. For further information, please refer to the section headed "*Regulatory overview — Government's Consultation Document on the Regulation of Private Healthcare Facilities and its potential impact on our Group*" in this prospectus. As the legislative regime has yet to be conclusively set out, it is not clear what precise requirements may be imposed, and are therefore necessary to be complied with by our Group. Nevertheless, the Senior Counsel stated that it would seem necessary, as a first step, for our Group to apply for a license under the new legislative regime governing private healthcare facilities as and when it is finally introduced. If such licensing requirement is introduced, there is no assurance that our Group will be able to obtain such a license. In the event that we are unable to do so under such scenario, our business operation and prospect will be materially and adversely affected.

## **RISK FACTORS**

### **RISKS RELATING TO HONG KONG**

#### **The general economic conditions in Hong Kong may affect our business and financial positions**

Our performance and financial position are heavily dependent on the state of the economy of Hong Kong as we derive our revenue from our operations in Hong Kong during the Track Record Period. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial position may be severely and adversely affected.

#### **The state of political environment in Hong Kong may affect our business and financial positions**

Hong Kong is a special administrative region of the People's Republic of China and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place at the moment. Since our operations are located in Hong Kong, any change of such political arrangements may pose immediate threat on the stability of the economy of Hong Kong, thereby directly and negatively affecting our results of operations and financial position.

### **RISKS RELATING TO THE PLACING**

#### **There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile**

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Placing. Factors such as variations in our Group's revenue, earnings and cash flow, business strategies implemented or acquisitions made by our Group or our competitors, loss of key personnel, litigation or claims brought against our Group, fluctuations in the market prices for our services or the supplies of our Group, the liquidity of the market for the Shares, and/or the general market sentiment regarding the industry in which we operate could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Placing Price, or at all.

#### **Investors may experience dilution if we issue additional Shares in the future**

Our Company may issue additional Shares in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

## RISK FACTORS

### **Any disposal by the Controlling Shareholders or a Substantial Shareholder of Shares in the public market could materially and adversely affect the market price of the Shares**

There is no guarantee that our Controlling Shareholders or Substantial Shareholder will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders or Substantial Shareholder, or that the availability of the Shares for sale by any of the Controlling Shareholders or Substantial Shareholder may have on the market price of the Shares. Sales of a substantial number of Shares by any of the Controlling Shareholders or Substantial Shareholder or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

### **The Underwriting Agreement may be terminated under certain circumstances**

Prospective investors should note that the Lead Manager (also in its capacity as the Underwriter) is entitled to terminate its obligations under the Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in the section headed “*Underwriting — Grounds for termination*” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, epidemic, fire, flood, explosions, acts of terrorism, strikes or lock-outs.

### **Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares**

Future issues of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or disposal may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

## **RISKS RELATING TO THIS PROSPECTUS**

### **Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon**

Certain facts, statistics, and data presented in the section headed “*Industry overview*” and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by the Government or independent third parties. In addition, certain information and statistics set forth in that section and elsewhere in this prospectus have been extracted from the Ipsos Report, a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, none of our Group, our Directors, the Sponsor, nor any parties involved in the Placing have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or

## RISK FACTORS

that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

### **Our Group's future results could differ materially from those expressed or implied by the forward-looking statements**

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "*Forward-looking statements*" in this prospectus.

### **Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and/or the Placing including, in particular, any financial projections, valuations or other forward-looking statements**

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and/or the Placing that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Lead Manager and the Underwriter, nor the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties involved in the Placing (collectively, the "**Professional Parties**") has authorised the disclosure of any such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Placing Shares. You should rely only on the information contained in this prospectus.

**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH  
GEM LISTING RULES AND THE COMPANIES (WINDING UP AND  
MISCELLANEOUS PROVISIONS) ORDINANCE**

**WAIVER AND EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS  
PROSPECTUS**

According to Rules 7.03(1) and 11.10 of the GEM Listing Rules, the accountants' report as set out in Appendix I to this prospectus must include the consolidated results of our Group in respect of the two financial years ended 31 March 2016 (being the two financial years immediately preceding the issue of this prospectus) or such shorter period as may be acceptable to the Stock Exchange.

Similarly, according to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company, as a company incorporated outside Hong Kong and proposing to offer its shares for subscription, must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of that schedule in its prospectus.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)), our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company for each of the two years ended 31 March 2016 and include an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities. According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)), our Company is required to include in this prospectus a report by the auditors of our Company in respect of the profits and losses and assets and liabilities of our Company for each of the two years ended 31 March 2016.

The accountants' report for the two years ended 31 March 2015 and the nine-month period ended 31 December 2015 is set out in Appendix I to this prospectus. However, strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)) and Rules 7.03(1) and 11.10 of the GEM Listing Rules would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the following:

- (i) there would not be sufficient time for the Group and the reporting accountants to complete the audit work on the full financial information for the year ended 31 March 2016 for inclusion in this prospectus, which shall be issued on or before 24 May 2016. If the financial information is required to be audited up to 31 March 2016, the Company and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the accountants' report and this prospectus and the relevant sections of this prospectus will need to be updated to cover such additional period;

**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH  
GEM LISTING RULES AND THE COMPANIES (WINDING UP AND  
MISCELLANEOUS PROVISIONS) ORDINANCE**

- (ii) the Directors and the Sponsor are of the view that (a) the accountants' report covering the two years ended 31 March 2015 and the nine-month period ended 31 December 2015, together with the loss estimate of the Group for the year ended 31 March 2016 as set out in Appendix III to this prospectus already provides potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group; and (b) all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and profitability of the Company has been included in this prospectus; and
- (iii) the Directors and the Sponsor confirmed that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our Group's financial and trading positions or prospects since 31 December 2015 and there is no event since 31 December 2015 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus, the loss estimate of the Group for the year ended 31 March 2016 as included in Appendix III to this prospectus and the section headed "*Financial information*" in this prospectus and other parts of this prospectus.

In such circumstances, an application has been made to the Stock Exchange for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules, on the conditions that:

- (i) this prospectus shall be issued on or before 24 May 2016 and the proposed listing of the Shares will take place on or before 31 May 2016;
- (ii) the SFC granting a certificate of exemption from strict compliance with requirements under section 342(1) in respect of the requirements under paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to such conditions as the SFC thinks fit in the granting of such certificate of exemption;
- (iii) a loss estimate for the year ended 31 March 2016 in compliance with Rules 14.29 to 14.31 of the GEM Listing Rules shall be included in this prospectus;
- (iv) a Directors' statement that there is no material adverse change to the financial and trading positions or prospects of our Group with specific reference to the trading results since 31 December 2015 and up to the date of this prospectus shall be included in this prospectus; and
- (v) our Company shall publish our results announcement for the financial year ended 31 March 2016 no later than 30 June 2016 in compliance with Rule 18.49 of the GEM Listing Rules.

**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH  
GEM LISTING RULES AND THE COMPANIES (WINDING UP AND  
MISCELLANEOUS PROVISIONS) ORDINANCE**

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1) in respect of the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the accountants' report for the full year ended 31 March 2016 in this prospectus. A certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (i) this prospectus shall be issued on or before 24 May 2016; and
- (ii) the particulars of the exemption shall be set out in this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), the Securities and Futures (Stock Market Listing) Rules (Subsidiary Legislation Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

### **FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Placing and the listing of the Shares on GEM, which is sponsored by the Sponsor and is managed by the Lead Manager. The Placing Shares are fully underwritten by the Underwriter pursuant to the Underwriting Agreement. For further information about the Underwriter and the placing and underwriting arrangements, please refer to the section headed “*Underwriting — Underwriter*” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE PLACING SHARES**

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his/her acquisition of Placing Shares to confirm, that he/she is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus. This prospectus is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisors and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Placing Shares should inform themselves as to the relevant legal requirements of applying for the Placing Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

Lead Manager, the Underwriter, and any of their respective directors or any other persons involved in the Placing. It is expected that, pursuant to the Placing, the Underwriter will conditionally place the Placing Shares on behalf of our Company with investors.

### **STRUCTURE AND CONDITIONS OF THE PLACING**

The structure and conditions of the Placing are set forth in the section headed “*Structure and conditions of the Placing*” in this prospectus.

### **APPLICATION FOR LISTING ON GEM**

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing.

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange.

A total of 260,000,000 Placing Shares representing 25% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Placing will be made available under the Placing.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. A total of 260,000,000 Placing Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Capitalisation Issue and the Placing and upon Listing.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential applicants for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Lead Manager, the Bookrunner, the Underwriter, their respective directors, supervisors, agents or advisors or any other person involved in the Placing accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

### **SHARE REGISTRAR, REGISTRATION AND STAMP DUTY**

All the Placing Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong by the Hong Kong Branch Share Registrar. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained on the Cayman Islands will not be subject to the Cayman Islands stamp duty.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 31 May 2016. The Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 8161. We will not issue temporary documents of title.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

<b>DIRECTORS AND PARTIES INVOLVED IN THE PLACING</b>
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**DIRECTORS**

<b>Name</b>	<b>Residential address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Mr. CHAN Chi Wai Nelson (陳志偉)	House 57 Cedar Drive Redhill Peninsula Tai Tam Hong Kong	Chinese
Ms. JIANG Jie (姜洁)	House 57 Cedar Drive Redhill Peninsula Tai Tam Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Dr. LIEU Geoffrey Sek Yiu (廖錫堯)	Flat B, 4/F, Block 2 Flora Garden 7 Chun Fai Road Jardine's Lookout Hong Kong	Chinese
Mr. LEUNG Po Hon (梁寶漢)	Flat A, 13/F, Block 2 80 Robinson Road Mid Level Hong Kong	Chinese
Mr. WONG Wai Leung (黃偉樑)	House 103 Casa Marina II 1 Lo Ping Road Tai Po, New Territories Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section “*Directors and Senior Management*” in this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

### PARTIES INVOLVED

#### Sponsor

#### **Messis Capital Limited**

*A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO*  
Room 1606, 16th Floor, Tower 2  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

#### **Bookrunner, Lead Manager and Underwriter**

#### **Gransing Securities Co., Limited**

*A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO*  
Rooms 805–806, Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

#### **Legal advisers to our Company**

*As to Hong Kong law*  
**Michael Li & Co.**  
*Solicitors, Hong Kong*  
19th Floor, Prosperity Tower  
39 Queen's Road Central  
Central, Hong Kong

*As to Cayman Islands law*  
**Conyers Dill & Pearman**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

#### **Legal advisers to the Sponsor, Bookrunner, the Lead Manager and the Underwriter**

*As to Hong Kong law*  
**Iu, Lai & Li Solicitors & Notaries**  
*Solicitors, Hong Kong*  
Rooms 2201, 2201A & 2202, 22/F  
Tower 1  
Admiralty Centre  
No. 18 Harcourt Road  
Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE PLACING</b>
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**Reporting accountants and auditors**

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Internal control consultant**

**Baker Tilly Hong Kong Risk Assurance Limited**  
2/F, 625 King's Road  
North Point  
Hong Kong

**Compliance adviser**

**Messis Capital Limited**  
*A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO*  
Room 1606, 16th Floor, Tower 2  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

**Property valuer**

**Asset Appraisal Limited**  
Room 901, 9th Floor  
On Hong Commercial Building  
No. 145 Hennessy Road  
Wanchai  
Hong Kong

## CORPORATE INFORMATION

<b>Headquarters and principal place of business in Hong Kong</b>	7/F, KP Tower, 93 King's Road North Point Hong Kong
<b>Company secretary</b>	Mr. LEUNG Man Fai (梁文輝) 43A, Block 7 The Pacifica 9 Sham Shing Road Cheung Sha Wan Kowloon Hong Kong
<b>Compliance officer</b>	Mr. CHAN Chi Wai Nelson (陳志偉)
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. CHAN Chi Wai Nelson (陳志偉) House 57 Cedar Drive Redhill Peninsula Tai Tam Hong Kong  Mr. LEUNG Man Fai (梁文輝) 43A, Block 7 The Pacifica 9 Sham Shing Road Cheung Sha Wan Kowloon Hong Kong
<b>Members of Audit Committee</b>	Mr. LEUNG Po Hon (梁寶漢) ( <i>Chairman</i> ) Dr. LIEU Geoffrey Sek Yiu (廖錫堯) Mr. WONG Wai Leung (黃偉樑)
<b>Members of Remuneration Committee</b>	Mr. WONG Wai Leung (黃偉樑) ( <i>Chairman</i> ) Mr. LEUNG Po Hon (梁寶漢) Mr. CHAN Chi Wai Nelson (陳志偉)
<b>Members of Nomination Committee</b>	Mr. LEUNG Po Hon (梁寶漢) ( <i>Chairman</i> ) Mr. WONG Wai Leung (黃偉樑) Mr. CHAN Chi Wai Nelson (陳志偉)
<b>Cayman Islands principal share registrar and transfer office</b>	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands

## CORPORATE INFORMATION

**Hong Kong branch share registrar  
and transfer office**

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

**Principal bankers**

Nanyang Commercial Bank, Limited  
151 Des Voeux Road Central  
Hong Kong

**Company website**

[www.MediNetGroup.com](http://www.MediNetGroup.com)  
*(information contained in this website does not form part  
of this prospectus)*

## INDUSTRY OVERVIEW

*This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sponsor, the Lead Manager, the Bookrunner, the Underwriter, our or their respective directors and officers or any other parties involved in the Placing. No representation is given as to the accuracy or completeness of such information and statistics. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.*

### SOURCE OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the healthcare industry in Hong Kong and the relevant sub-industries, including the corporate medical solutions industry and medical and dental services industry in Hong Kong. A total fee of HK\$458,000 was paid to Ipsos for the preparation of the Ipsos Report. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market sizes and market share and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the healthcare industry in Hong Kong and the relevant sub-industries, including the corporate medical solutions industry and medical and dental services industry in Hong Kong. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) client consultations; (ii) secondary research including desk research; and (iii) primary research, including interviews with key stakeholders and industry experts such as chained and non-chained private clinics, dentists, medical insurance companies and industry association in Hong Kong, etc.

Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology guarantees a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy.

## INDUSTRY OVERVIEW

All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

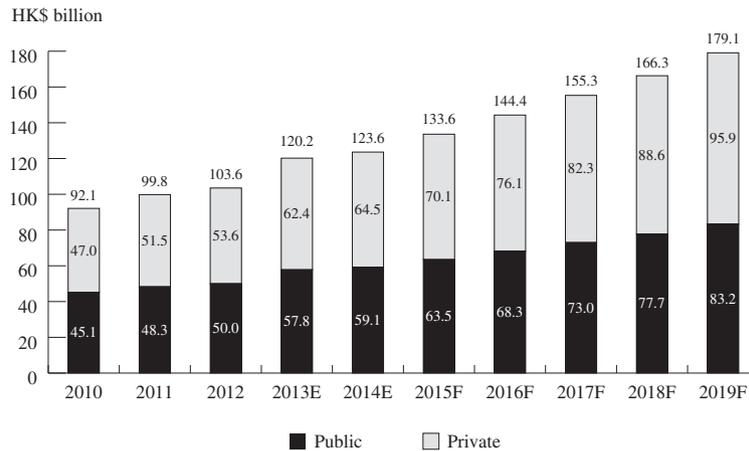
Ipsos developed its estimates or forecasts on the following bases and assumptions: (i) it is assumed that the supply and demand for healthcare industry in Hong Kong are stable over the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the healthcare industry in Hong Kong during the forecast period.

### HEALTHCARE INDUSTRY IN HONG KONG

Hong Kong's healthcare system runs on a dual-track basis, consisted of the public and the private sectors. Public healthcare sector acts as the safety net for the mass public while the private care sector targets those who can afford and are willing to pay for more personalised and convenient healthcare services.

Healthcare services broadly include curative care, rehabilitative and extended care, long-term care, ancillary services to health care, medical goods outside the patient care setting, prevention and public health services, and health programme administration and health insurance, from both private and public healthcare sectors. Total revenue of the healthcare industry in Hong Kong experienced growth from approximately HK\$92.1 billion in 2010 to approximately HK\$123.6 billion in 2014, representing a CAGR of approximately 7.6% during this period, as set forth in the chart below:

**Total revenue of healthcare industry in Hong Kong**



Source: The Ipsos Report

Note: The letter "E" denotes estimated figures and the letter "F" denotes forecasted figures. The figures for the calendar years of 2013 and 2014 are estimated values as the actual figures have not yet been available as at the Latest Practicable Date.

The Ipsos Report stated that the major reason for the upward trend is the ageing population of Hong Kong. The proportion of Hong Kong's population aged 65 or above increased from approximately 13.1% in 2010 to approximately 14.2% in 2013. In addition, the healthcare industry in Hong Kong is also driven by an increase in the overall population in Hong Kong as well as the support from an increasing number of people from the mainland China seeking medical services in Hong Kong. With strong demand from the local ageing population and from the mainland China and coupled with the high life expectancy in Hong Kong which increased modestly at a CAGR of approximately 0.3% from 2010 to 2014 and which reached 86.9 years for female and 81.2 years for male in 2014, there is an anticipated

## INDUSTRY OVERVIEW

growth in the demand for healthcare services in Hong Kong. In addition, the general inflation in Hong Kong exerted upward pressure on the price of healthcare services and medicines, further driving up the expected expenditures on healthcare services in the coming years. It is on such basis, coupled with Ipsos's research and analysis, that the Ipsos Report forecasted that the total revenue of the healthcare industry in Hong Kong would steadily increase from approximately HK\$133.6 billion in 2015 to approximately HK\$179.1 billion in 2019.

### CORPORATE MEDICAL SOLUTIONS INDUSTRY IN HONG KONG

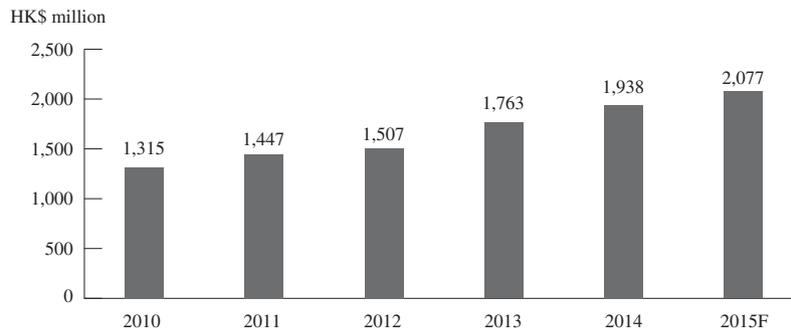
#### Overview

According to the Ipsos Report, corporations with sufficiently large size and number of employees usually directly approach and engage major corporate medical solutions providers (such as our Group) for administering medical benefits plans for their employees. In addition, instead of directly dealing with a large number of doctors and clinics by themselves, insurance companies in Hong Kong usually enter into contracts with several major corporate medical solutions providers (such as our Group) at the same time to ensure sufficient coverage of medical services for their policyholders and/or employees of their policyholders.

#### Market size

There has been a substantial growth in the total revenue of the corporate medical solutions industry in Hong Kong from approximately HK\$1,315 million in 2010 to approximately HK\$1,938 million in 2014, representing a CAGR of approximately 10.2% during this period:

**Total revenue of corporate medical solutions industry in Hong Kong**



Source: The Ipsos Report

Note: The letter "F" denotes forecasted figures.

The Ipsos Report stated that the increasing trend was mainly due to (i) the growing number of companies in Hong Kong, which translates into a higher demand for corporate medical solutions services in Hong Kong; and (ii) the rising awareness of better welfare benefits for employees. The number of companies in Hong Kong increased by approximately 11.4% from 2010 to 2014 and Hong Kong is expected to remain as a major hub for multinational companies to set up regional offices, resulting in a higher demand for the corporate medical solutions services in Hong Kong. In addition, companies are expected to provide better welfare benefits for employees in order to attract and retain talents, which will increase the demand for the corporate medical solutions services in Hong Kong. Therefore, the Ipsos Report forecasted that the total revenue of corporate medical solutions services will continue to increase in the coming years.

## INDUSTRY OVERVIEW

### Competitors

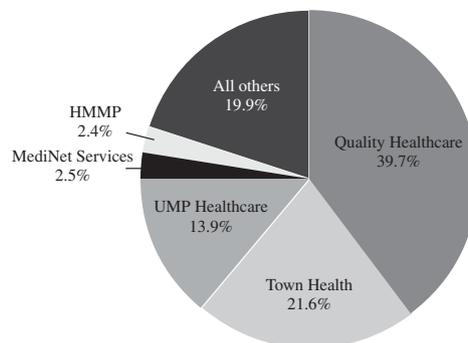
Based on Ipsos’s research and analysis, the total number of corporate medical solutions providers remained relatively steady over the past five years at 15, 17, 17, 17 and 16 in year 2010, 2011, 2012, 2013 and 2014 respectively.

According to the Ipsos Report, the five leading corporate medical solutions providers in Hong Kong in 2014 were:

- Quality Healthcare Asia Limited (“**Quality Healthcare**”), with its medical network comprising approximately 580 points of service;
- Town Health International Medical Group Limited (a company listed on the Main Board of the Stock Exchange with stock code 3886), including Dr. Vio & Partners, which is one of the leading corporate medical solutions providers in Hong Kong and a majority equity stake of which was acquired by Town Health International Medical Group Limited in 2014 (“**Town Health**”), with its medical network comprising approximately 700 points of service;
- UMP Healthcare Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code 722) (“**UMP Healthcare**”), with its medical network comprising approximately 600 points of service;
- MediNet Services, one of our principal operating subsidiary, with our MediNet Network comprising over 400 points of service; and
- Health Maintenance Medical Practice Limited (“**HMMP**”), with its medical network comprising approximately 900 points of service.

The corporate medical solutions market in Hong Kong is dominated by the top three players, namely, Quality Healthcare, UMP Healthcare, and Town Health. Such top three leading corporate medical solutions providers together accounted for approximately 75.2% of the total revenue of the corporate medical solutions industry in Hong Kong in 2014. MediNet Services ranked fourth, sharing approximately 2.5% of the total revenue of the corporate medical solutions industry in Hong Kong in 2014:

### Market share of major corporate medical solutions providers in Hong Kong in 2014



Source: The Ipsos Report

## INDUSTRY OVERVIEW

### Entry barriers

According to the Ipsos Report and our Directors, the key barriers for new entrants to enter the corporate medical solutions industry in Hong Kong include:

- (i) *Lack of an established network of medical services providers.* Our Directors consider that one of the reasons that our Contract Customers engage us for the provision of corporate medical solutions is our well-established MediNet Network with more than 400 points of services across Hong Kong providing comprehensive services accessible by Plan Members with ease. Our Directors believe that a network with sufficient presence and penetration in various districts across Hong Kong offering a sufficient coverage of different types of general, specialist and auxiliary medical services for plan members is crucial in terms of attracting corporations and insurance companies seeking corporate medical solutions services. A new entrant without an established network of medical services providers will require extensive connections with a large number and a broad range of medical professionals in order to set up a network of medical service providers, and may therefore find it difficult to attract sufficient number of medical professionals to join its network within a short period of time.
- (ii) *Service quality.* The Ipsos Report states that quality of services is among the top criteria for customers seeking corporate medical solutions services. Our Directors consider that one of the key services required to be provided by a corporate medical solutions provider is the administration and coordination works for the customers, plan members, affiliated doctors and affiliated auxiliary services providers, such as managing and updating the information in relation to the plan members and the coverage of the medical benefits plans of plan members, updating and informing contract customers and plan members of any changes in the network, and responding to enquiries from customers, plan members, affiliated doctors and affiliated auxiliary services providers. Our Directors believe that our Contract Customers look for corporate medical solutions providers which can offer high quality of services to them as well as to their relevant Plan Members, such as high responsiveness upon enquiries and user-friendly administrative procedures. A new entrant lacking sufficient practical experience in handling such administration and coordination works may find it difficult to perform its role to the satisfaction of customers.
- (iii) *Reputation.* Reputation in the corporate medical solutions industry gives customers confidence as it is built on track record and quality of services through a long period of time. Corporate medical solutions providers with a more well-established reputation is more preferable than those with a lower prestige. A new entrant without track record and reputation in the corporate medical solutions industry in Hong Kong may find it difficult to attract corporations and insurance companies seeking reliable and reputable corporate medical solutions providers.

# INDUSTRY OVERVIEW

## MEDICAL SERVICES INDUSTRY IN HONG KONG

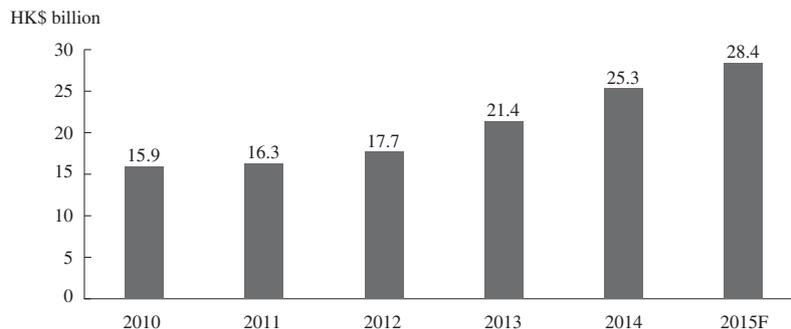
### Overview

Patients seeking medical services generally have the choice of visiting public or private healthcare facilities. According to the Ipsos Report, patients visiting private clinics are typically persons with medical insurance coverage or employees' healthcare benefits, as well as those who can afford to pay out-of-pocket for private medical consultation and medication. Patients may choose to visit private clinics as the waiting time is often shorter (although the fee is more expensive) compared to visiting public clinics or hospitals managed by the Hospital Authority of Hong Kong.

### Market size

There has been a substantial growth in the total revenue of the private outpatient medical services industry in Hong Kong from approximately HK\$15.9 billion in 2010 to approximately HK\$25.3 billion in 2014, representing a CAGR of approximately 12.4% during this period:

**Total revenue of private outpatient medical industry in Hong Kong**



Source: *The Ipsos Report*

Note: The letter "F" denotes forecasted figures.

The Ipsos Report stated that the increasing trend was mainly driven by the rise in demand for private outpatient medical services in Hong Kong with the increasing strain on the public healthcare system in Hong Kong. According to the Ipsos Report, it is expected that the total revenue of the private outpatient medical services industry in Hong Kong will continue to grow in the coming years as a result of high disposable income and higher demand for private healthcare services, particularly for prevention and screening due to increased awareness, as well as the Government's initiatives to shift medical services to the private sector in order to more effectively address the demands for medical services from Hong Kong's ageing population.

## INDUSTRY OVERVIEW

### Competitors

According to the Ipsos Report, the total number of private medical clinics increased steadily from approximately 3,840 in 2010 to approximately 4,260 in 2014, representing a CAGR of approximately 2.6%.

Based on the total revenue of the private outpatient medical industry in Hong Kong of approximately HK\$25.3 billion in 2014 and our revenue from the provision of medical services to Self-paid Patients of approximately HK\$13.1 million for FY2014/15, our market share in the private outpatient medical services industry in Hong Kong was approximately 0.05%.

### Factors of competition

According to the Ipsos Report and our Directors, private outpatient medical services providers in Hong Kong mainly compete on the following areas:

- (i) *Clinic's location and scope of services.* A clinic's location, distance from customer base, and ease of access for patients are key factors of competition. In addition, group practices and integrated medical centres with high service capacity and short waiting time and providing comprehensive scope of services may attract more patients and may have the ability to charge premium prices.
- (ii) *Track record and reputation.* Clinics with good doctor-patient relationships and experienced doctors can attract recurring visits from patients and attract new patients through word of mouth. This enables clinics to maintain a steady revenue stream from a stable patient base and to develop track record and reputation.
- (iii) *Affiliation with networks.* Clinics which have joined various networks similar to our MediNet Network can attract patients who are members of corporate medical benefits plans. Such patients may request for services not covered by their relevant benefits plans, thereby generating additional income for the clinics.

## DENTAL SERVICES INDUSTRY IN HONG KONG

### Overview

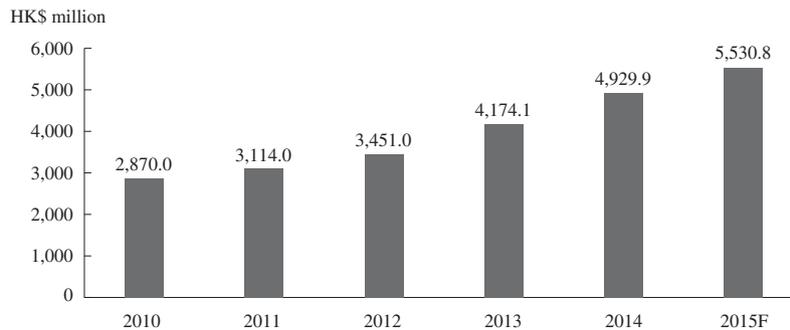
According to the Ipsos Report, there are limited public dental care services in Hong Kong and the majority of primary dental care services are provided by private dental practices. Public dental services mainly target at three main groups of patients, namely, primary school students, Government civil servants (together with their dependents and pensioners), and the elderly, to whom the Government provides primary dental care. Demand for private dental services stems from individuals who are not covered by public dental services, which typically include those with dental insurance coverage and/or employees' dental care benefits, as well as those who can afford to pay out-of-pocket for private dental services.

## INDUSTRY OVERVIEW

### Market size

There has been a substantial growth in the total revenue of the private dental services industry in Hong Kong from approximately HK\$2,870 million in 2010 to approximately HK\$4,930 million in 2014, representing a CAGR of approximately 14.5% during this period:

#### Total revenue of private dental services industry in Hong Kong



Source: *The Ipsos Report*

Note: The letter “F” denotes forecasted figures.

The Ipsos Report stated that the increasing trend was mainly driven by the increasing awareness for basic oral health initiated by the commercial sector as well as the Oral Health Education Unit of the Department of Health of the Government. According to the Ipsos Report, it is expected that the total revenue of the private dental services industry in Hong Kong will continue to grow in the coming years as a result of increasing disposal income, increasing oral health awareness, higher demands for professional dental services, particularly for cleaning, screening, filling and extraction, as well as the Government’s healthcare voucher subsidies to support Hong Kong’s ageing population to visit private dental services providers.

### Competitors

According to the Ipsos Report, the total number of private dental clinics increased steadily from approximately 1,290 in 2010 to approximately 1,480 in 2014, representing a CAGR of approximately 3.5%, as a result of an increase in demand for primary dental care and dental treatments required by Hong Kong’s aging population, particularly in teeth decay and prosthodontics, and an increasing amount of dental insurance plans and employees’ healthcare benefits.

Based on the total revenue of the private dental services industry in Hong Kong of approximately HK\$4,929.9 million in 2014 and our revenue from the provision of dental services to Self-paid Patients of approximately HK\$18.3 million for FY2014/15, our market share in the private dental services industry in Hong Kong was approximately 0.37%.

## INDUSTRY OVERVIEW

### Factors of competition

According to the Ipsos Report and our Directors, private dental services providers in Hong Kong mainly compete on the following areas:

- (i) *Dental clinic's location and scope of services.* A dental clinic's location, distance from customer base, and ease of access for patients are key factors of competition. Dental clinics with high service capacity and short waiting time and providing comprehensive scope of services from routine oral checkups to treating oral diseases can attract more patients and may have the ability to charge premium prices.
- (ii) *Track record and reputation.* Dental clinics with good dentist-patient relationships and experienced dentists can attract recurring visits from patients and attract new patients through word of mouth. This enables dental clinics to maintain a steady revenue stream from a stable patient base and to develop track record and reputation.
- (iii) *Affiliation with networks.* Dental clinics which are operated by corporate dental solutions providers or those which have joined networks operated by corporate dental solutions providers can attract patients who are members of corporate dental benefits plans. Such patients may request for services not covered by their relevant benefits plans, thereby generating additional income for the dental clinics.

### INDUSTRY DRIVERS

According to the Ipsos Report, the corporate medical and dental solutions industry and the medical and detail services industry in Hong Kong are expected to benefit from the following industry drivers:

#### (i) Increasing average life expectancy and aging population in Hong Kong

The average life expectancy in Hong Kong is relatively high due to Hong Kong's developed socio-economic condition and medical services, as well as increasing Government expenditure on public health and hygiene. The average life expectancy in Hong Kong has been increasing modestly at a CAGR of approximately 0.3% from 2010 to 2014, reaching 86.9 years for females and 81.2 years for males in 2014.

The proportion of Hong Kong's population aged 65 or above also increased from approximately 13.1% in 2010 to approximately 14.2% in 2013. The proportion of elders in Hong Kong's population is estimated to further increase to about one in four by 2030. As the elderly typically require more medical services, the increasing life expectancy and the increasing proportion of elders in the population of Hong Kong is expected to drive up the demand for healthcare services in the coming years.

#### (ii) Increasing demand from patients due to higher disposable income, increasing health awareness, Government subsidies for the elderly, and educational campaigns

The Ipsos Report states that there is expected to be an increasing demand from patients for both medical and dental services due to various factors including but not limited to (a) higher disposable income which can be spent on medical and dental services; (b) increasing health awareness, which will result in expected increasing demand for preventive and screening healthcare services, which will in turn

## INDUSTRY OVERVIEW

generate increasing demand for curative medical services; (c) increasing awareness for basic oral health initiated by the commercial sector as well as the Oral Health Education Unit of the Department of Health of the Government, which will result in increasing demand for dental services; (d) the healthcare voucher scheme implemented by the Government since 2008 which provides financial support for the elderly to pay for medical and dental care expenses while it was noted that the amount of subsidies from the Government has an increasing trend from the annual subsidy to each elder aged 70 of HK\$250 since its implementation to HK\$2,000 in 2014; and (e) the various educational campaigns initiated by the private sector as well as the Government, such as the framework document entitled “Promoting Health in Hong Kong: A Strategic Framework for Prevention and Control of Non-communicable Diseases” introduced by the Government which was related to health promotion, as well as the oral health promotion programmes implemented by the Oral Health Education Unit of the Department of Health of the Government targeting at different age groups and disseminating oral health information through different channels with an aim of enhancing the oral health of the public, which are expected to increase the demand for preventative medical and dental care services in Hong Kong.

The Directors are of the view that the amount of private healthcare services engaged by the elderly and the public may increase in the future and therefore may have a positive effect on the Group’s provision of medical services at its MediNet Centres.

### **(iii) Higher demand for corporate medical solutions services in Hong Kong due to increasing number of companies and more regional offices set up by multinational companies**

The Ipsos Report states that the number of companies in Hong Kong has grown from 710,766 in 2008 to 1,272,693 in 2014 and is expected to continue to grow in the coming years, which will fuel the demand for corporate medical solutions services as more companies will seek services from corporate medical solutions providers in order to provide healthcare benefits for their employees in a convenient and organised manner. In addition, Hong Kong is expected to remain as a major hub for multinational companies to set up regional offices, resulting in further increase in demand for corporate medical solutions services in Hong Kong.

Our Group’s Contract Customers for medical solutions comprise insurance companies and corporations which are multinational companies. For FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, the number of Contract Customers for medical solutions who were multinational companies contributed to approximately HK\$40.3 million, HK\$41.2 million and HK\$35.3 million to our Group’s revenue, which represented 81.6%, 85.3% and 91.0%, respectively, of our Group’s revenue generated from the provision of medical solutions. It was noted that the revenue generated from such multinational companies had an increasing trend over the Track Record Period. Among the new Contract Customers for medical solutions for the nine-month period ended 31 December 2015, revenue generated from multinational companies represented 94.1% of the total revenue generated from our new Contract Customers for medical solutions. In light of the above facts and circumstances, the Directors are of the view that the increase in number of companies and region offices set up by multinational companies and corporations may have a positive effect on the Group’s provision of medical solutions to Contract Customers.

## POTENTIAL CHALLENGES

According to our Directors and the Ipsos Report, the future development of the industry in which we operate is subject to the following potential challenges:

## INDUSTRY OVERVIEW

### (i) Rising cost of medical and dental professional services

Fees to Affiliated Doctors and staff costs for our medical and dental professional staff are among the largest cost components of our operations. Our Directors believe that such fees and staff costs are directly or indirectly affected by the general wage level of doctors and dentists in Hong Kong.

As a general reference for the recent trend of the wage level of doctors in Hong Kong, the average monthly wage of contract doctors with 3 years or more of experience in the public sector in Hong Kong has, according to the Ipsos Report, increased from approximately HK\$48,100 in 2010 to approximately HK\$59,000 in 2014, representing a CAGR of approximately 5.2%:

**Average monthly wage of contract doctors with 3 years or more of experience in the public sector in Hong Kong**

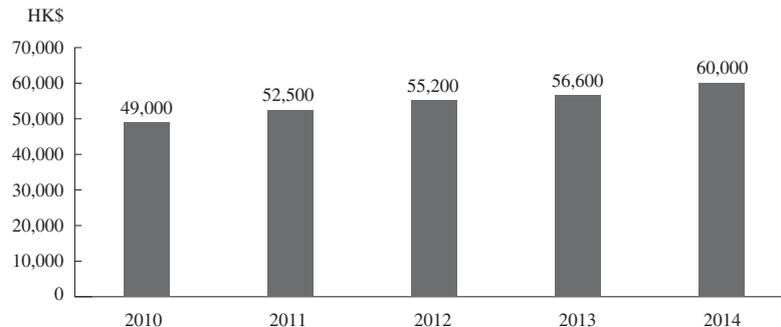


Source: *The Ipsos Report*

The Ipsos Report states that the demand for registered doctors in the public sector has been rising due to the increasing demand for healthcare services. It is also expected that the strong demand for healthcare services will also stimulate the demand for doctors in the private sector and future growth in their wages.

As a general reference for the recent trend of the wage level of dentists in Hong Kong, the average monthly wage of contract dentists (orthodontics) with 3 years or more of experience in the public sector in Hong Kong has, according to the Ipsos Report, increased from approximately HK\$49,000 in 2010 to approximately HK\$60,000 in 2014, representing a CAGR of approximately 5.2%:

**Average monthly wage of contract dentists (orthodontics) with 3 years or more of experience in the public sector in Hong Kong**



Source: *The Ipsos Report*

The Ipsos Report states that owing to the tight supply of the number of dentists available in Hong Kong and the expected increase in demand for dental services, the average wage level of dentists in the private sector is expected to increase in the coming years.

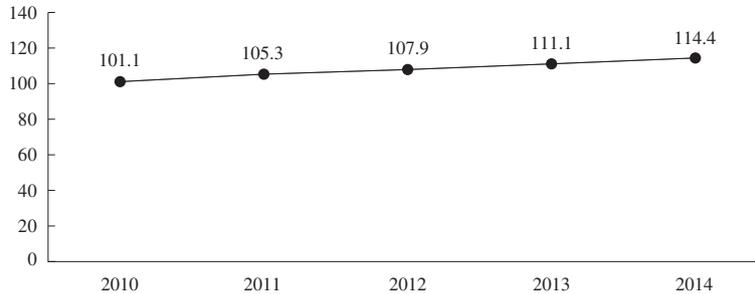
## INDUSTRY OVERVIEW

### (ii) Rising cost of medical and dental supplies

The operations of our MediNet Centres and Dental Clinics also require certain medical and dental supplies, such as drugs and medicine and other consumables necessary for our operations. Any significant increase in the cost of medical and dental supplies may decrease our profit margin.

According to the Ipsos Report, the composite consumer price index for proprietary medicines and supplies in Hong Kong increased from approximately 101.1 in 2010 to approximately 114.4 in 2014, representing a CAGR of approximately 3.1%:

#### Composite consumer price index for proprietary medicines and supplies in Hong Kong



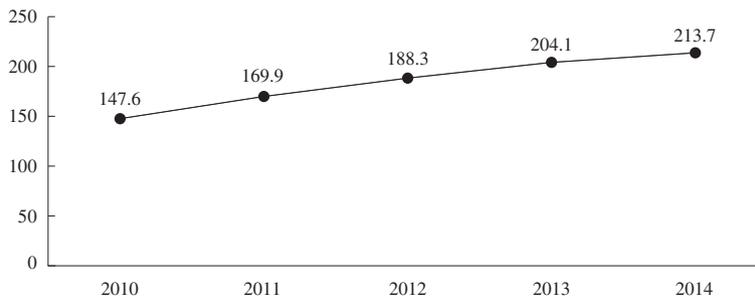
Source: The Ipsos Report

The Ipsos Report states that the general inflation in Hong Kong as well as the advancement of drugs have contributed to the increasing price trend for proprietary medicines and supplies in Hong Kong from 2010 to 2014.

### (iii) Rising property rental cost

During the Track Record Period and up to the Latest Practicable Date, we leased a number of properties in Hong Kong for our operations, including one for our head office and another six for our MediNet Centres and Dental Clinics. Whether we are able to renew our existing leases when they approach expiration on similar or acceptable terms will affect our future operations and financial performance.

According to the Ipsos Report, the rental index for private offices in Hong Kong increased from approximately 147.6 in 2010 to approximately 213.7 in 2014, representing a CAGR of approximately 9.7%:



Source: The Ipsos Report

The Ipsos Report states that the increasing rental index for private offices in Hong Kong from 2010 to 2014 was attributable to the growing demand for private offices as a result of the demand from Chinese companies to establish offices in Hong Kong and the demand from international firms to set up headquarters or regional offices in Hong Kong, coupled with slow increase in supply.

## REGULATORY OVERVIEW

This section sets forth a summary of the material laws and regulations applicable to our Group's business in Hong Kong. Our Group is also subject to the general provisions of the Business Registration Ordinance and the Inland Revenue Ordinance for its business operations in Hong Kong.

### LEGISLATION AND REGULATIONS

#### Medical Registration Ordinance

Under the Medical Registration Ordinance, all western medicine practitioners practising in Hong Kong have to register with the Medical Council. The Medical Council is a statutory body responsible for registration and professional discipline of Registered Medical Practitioners to maintain professional standards for protection of the public. The Registered Medical Practitioners shall comply with the Code of Professional Conduct issued by the Medical Council.

A person who wishes to register as a Registered Medical Practitioner must satisfy the requirements set out in section 8 of the Medical Registration Ordinance. In particular, he should have (i) obtained a degree of medicine and surgery by a university in Hong Kong specified in the Medical Registration Ordinance with his employment experience certified by such university in accordance with the Medical Registration Ordinance; or (ii) passed the licensing examination set by the Medical Council and completed such period of assessment as the Medical Council may determine.

A Registered Medical Practitioner who wishes to become a specialist (as defined in the Medical Registration Ordinance) must satisfy the requirements set out in section 20K of the Medical Registration Ordinance. He should be a Fellow (as defined in the Medical Registration Ordinance) of the Hong Kong Academy of Medicine and have satisfied the continuing medical education requirements, or possess equivalent professional standards. He should also have the approval of the Medical Council for inclusion of his name under the relevant specialty in the Specialist Register (as defined in the Medical Registration Ordinance).

Pursuant to section 20A of the Medical Registration Ordinance, a Registered Medical Practitioner shall not practise medicine unless he is the holder of a practising certificate. A practicing certificate is issued pursuant to an application by the relevant Registered Medical Practitioner.

If an application for practising certificate is made during the course of a year in respect of the following year, then such certificate issued shall be in force for a period of 12 months commencing on 1 January in that following year. However, if an application is made during the course of a year in respect of that year, then such certificate shall only be in force from the time of its issue until the end of that year.

A Registered Medical Practitioner who is required to be the holder of a practicing certificate shall not be entitled to recover any fees, costs or other remuneration unless he at the material time holds a valid practising certificate according to section 20A(8) of the Medical Registration Ordinance. Further, under section 20B of the Medical Registration Ordinance, if the Registrar of the Registered Medical Practitioners files a complaint to a magistrate against a Registered Medical Practitioner who has practised without a valid practising certificate, such Registered Medical Practitioner would be liable to pay back the prescribed fee for the practising certificate as a civil debt.

## REGULATORY OVERVIEW

Any person who (i) wilfully or falsely pretends to be a Registered Medical Practitioner or a specialist; or (ii) wilfully or falsely takes or uses any name, title, addition or description implying that he is a Registered Medical Practitioner or a specialist; or (iii) not being registered or provisionally registered or exempted from registration, professes to practise or publishes his name as practising medicine or surgery, commits an offence and is liable to a fine and imprisonment.

Any person who continues to practise medicine during the period when his name is removed from the General Register commits an offence and is liable to a fine and imprisonment.

### **Code of Professional Conduct**

All Registered Medical Practitioners in Hong Kong have to comply with the Code of Professional Conduct for the Guidance of Registered Medical Practitioners (the “**Code of Professional Conduct**”) issued by the Medical Council (as may be amended from time to time), which covers, *inter alia*, the following aspects:

- Registered Medical Practitioners’ professional responsibilities to patients such as their confidentiality obligations as well as the obligations to act in the interest of patients and, whenever an examination or treatment is beyond his capacity, to consult with or refer to another doctor who has the necessary ability;
- communication in Registered Medical Practitioners’ professional practice, including restriction on practice promotion from being carried out by medical practitioners;
- requirements in relation to prescription and labelling of medicine/drugs to be dispensed;
- rules in relation to relationship among Registered Medical Practitioners and other practitioners and/or organisations;
- criminal conviction and disciplinary proceedings of Registered Medical Practitioners;
- Registered Medical Practitioners’ financial arrangements;
- rules in relation to new medical procedures, clinical research and alternative medicine;
- rules against abuse of professional position; and
- rules governing serious infectious disease and other special areas.

Contravention of the Code of Professional Conduct may render a Registered Medical Practitioner liable to disciplinary action.

### **Dentists Registration Ordinance**

Under the Dentists Registration Ordinance, all dentists practising in Hong Kong have to register with the Dental Council, which is a statutory body established under the Dentists Registration Ordinance. The Dentists Registration Ordinance provides for the registration and regulation of the dental

## REGULATORY OVERVIEW

profession in order to protect patients, foster ethical conduct, and develop and upkeep the ethical standard of the profession. Any person, not being a Registered Dental Practitioner, who practises dentistry within Hong Kong commits an offence and is liable on conviction to a fine and imprisonment.

A person who wishes to register as a Registered Dental Practitioner must satisfy the requirements set out in section 8 of the Dentists Registration Ordinance. In particular, he should have (i) obtained a degree of dentistry by a university in Hong Kong specified in the Dentists Registration Ordinance; or (ii) passed the licensing examination set by the Dental Council and complied with the conditions imposed by the Dental Council in accordance with the Dentists Registration Ordinance.

The subsidiary legislation, Ancillary Dental Workers (Dental Hygienists) Regulations (Chapter 156B of the Laws of Hong Kong) empowers the Dental Council to provide enrolment and regulation of the dental hygienist. A roll of enrolled dental hygienists is maintained by the Dental Council.

Every Registered Dental Practitioner shall cause to be exhibited in a conspicuous place in any premises in which he practises dentistry for gain the original or certified copy of the certificate of registration issued to him under the Dentists Registration Ordinance. Any Registered Dental Practitioner who fails to exhibit the certificate of registration in accordance with the Dentists Registration Ordinance commits an offence and is liable on summary conviction to a fine of HK\$1,000 and, in the case of a continued non-compliance, to a fine of HK\$50 for every day during which such non-compliance continues.

No body corporate is permitted to carry on the business of dentistry unless: (a) it carries on no business other than dentistry or some business ancillary to the business of dentistry; and (b) a majority of the directors of the body corporate and all persons practising dentistry are Registered Dental Practitioner. Any body corporate which carries on the business of dentistry in contravention of the Dentists Registration Ordinance and every director and manager thereof commits an offence and is liable on summary conviction to a fine of HK\$2,000 for each offence.

### **Code of Professional Discipline**

All Registered Dental Practitioners in Hong Kong have to comply with the Code of Professional Discipline for the Guidance of Dental Practitioners (the “**Code of Professional Discipline**”) issued by the Dental Council (as may be amended from time to time).

The Code of Professional Discipline provides, *inter alia*, the following guidelines:

- Registered Dental Practitioners practising as a group and who consider it necessary to identify the practice by the use of a collective title must use a name that is in compliance with this code;
- signs should not be designed to draw public attention to the services of the practice at the expense of others. In selecting a name, and particularly a collective title for a partnership, it is desirable to avoid a name which could be interpreted as implying that the services being provided have received some official recognition not extended to other local Registered Dental Practitioners;

## REGULATORY OVERVIEW

- canvassing for the purpose of obtaining patients, either by himself, his servants, agents or others whether directly or indirectly, and association with or employment by persons or organisations which canvass, may lead to disciplinary proceedings. It is also not permissible for a Registered Dental Practitioner to canvass by means of the distribution of visiting cards other than as a result of a request for a card by an individual;
- a Registered Dental Practitioner in a contractual relationship with an organisation which refers patients to him as employees of that organisation, as members of an insurance scheme, or otherwise, must ensure that its advertising and promotion of any scheme conforms with all the guidelines in this code;
- a Registered Dental Practitioner may enter into an agreement with individuals and/or organisations in form to provide dental health care services provided that the agreement does not permit or compel practices which lead to unethical conduct. In performance of such contracts the Registered Dental Practitioner is required to deal fairly with the public and fellow practitioners. It is unethical for a Registered Dental Practitioner to contract his services under conditions that make it impossible to render service to his patients in a timely and reasonable manner; and
- when dealing with third parties to provide dental care programmes, Registered Dental Practitioners have to ensure that (a) there is no canvassing; (b) there is no dichotomy (fee splitting); (c) these parties should not act as agents; (d) these programmes are open to participation by all Registered Dental Practitioners; and (e) there is no restriction in clinical autonomy and responsibility. Examples of bona fide third parties would be insurance plans bought on an individual basis or supplied as an employee benefit plan, employed dental practitioners, reimbursement schemes and capitation programmes sponsored as employee benefits.

Contravention of the Code of Professional Discipline may render a Registered Dental Practitioner liable to disciplinary action.

### Medical Clinics Ordinance

The Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong) (the “**Medical Clinics Ordinance**”) provides for the registration, control and inspection of medical clinics and other related purposes. Under the Medical Clinics Ordinance, clinic means any premises used or intended to be used for the medical diagnosis or treatment of persons suffering from, or believed to be suffering from, any disease, injury or disability of mind or body. Among others, private consulting rooms used exclusively by registered medical practitioners in the course of their practice on their own account and not bearing any title or description which includes the word “clinic” or “polyclinic” in the English language and premises used exclusively by a Chinese medicine practitioner registered or listed under the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong) in the course of his practice are not regarded as a clinic.

The Medical Clinics Ordinance requires that all registered clinics be under proper supervision as specified, unless an exemption has been granted. The Medical Clinics Ordinance also provides that the income derived from the establishment or operation of a clinic registered under the Medical Clinics

## REGULATORY OVERVIEW

Ordinance shall be applied solely towards the promotion of the objects of the clinic, and shall not be transferred to employees of the clinic by way of dividend or bonus or otherwise by way of profit to the applicant himself (i.e. non-profit sharing).

Any person who carries on or takes part in the management of a clinic which is not registered, or who therein does any medical diagnosis or prescribes any medical treatment or takes part in any medical treatment of any person commits an offence and is liable on summary conviction to a fine of HK\$50,000 and to imprisonment for two years, or on conviction upon indictment to imprisonment for three years. Any person who is in a clinic which is not registered does any medical diagnosis, prescribes any medical treatment or performs any medical treatment in relation to a person which results in personal injury to that person commits an offence and is liable on summary conviction to a fine of HK\$100,000 and to imprisonment for three years, or on conviction upon indictment to imprisonment for seven years.

### **Pharmacy and Poisons Ordinance**

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) (the “**Pharmacy and Poisons Ordinance**”) governs the manufacture, distribution, dispensing, supply, wholesale and retail sale, possession and the import and export of pharmaceutical products or medicines in Hong Kong. Pharmaceutical products or medicines are required to conform to the standards on safety, efficacy and quality before they can obtain registration. It also regulates the sale and labelling of products which are classified as pharmaceutical products and medicine. Pharmaceutical products or medicines have to be registered with the Pharmacy and Poisons Board before they can be offered for sale in Hong Kong.

Under the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong), pharmaceutical products must be registered with the Pharmacy and Poisons Board before they can be sold, offered for sale, distributed or possessed for the purposes of sale, distribution or other use in Hong Kong.

For the purpose of the Pharmacy and Poisons Ordinance, “Pharmaceutical product” means any substance, or combination of substances presented as having properties for treating or preventing disease in human beings or animals; or that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical diagnosis.

In general, if the product contains a drug substance in its composition, or if it carries “medicinal” claims in its label, leaflet, brochure, wrapper, advertisements and other promotional materials, it will fall within the meaning of pharmaceutical product and registration is required. Products commonly referred to as cosmetics, toiletries and disinfectants which do not contain any drug ingredient in its composition and which are sold without any medicinal claims may be excluded.

### **Antibiotics Ordinance**

The Antibiotics Ordinance (Chapter 137 of the Laws of Hong Kong) controls the sale and supply of penicillin and such other anti-microbial organic substances produced by micro organisms substances. Such controlled substances shall only be sold, supplied or administered by way of treatment by designated person including among others, a Registered Medical Practitioner or a registered veterinary

## REGULATORY OVERVIEW

surgeon (“**Registered Veterinary Surgeon**”) registered under the Veterinary Surgeons Registration Ordinance (Chapter 529 of the Laws of Hong Kong) or a person acting in accordance with the directions of any such Registered Medical Practitioner or Registered Veterinary Surgeon.

### **Dangerous Drugs Ordinance**

The Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong) (the “**Dangerous Drugs Ordinance**”) regulates the import, export, labeling, procuring, supply, dealing in or with and possession of drugs or substances which are classified as dangerous drugs under the Dangerous Drugs Ordinance. Under the Dangerous Drugs Ordinance, a Registered Medical Practitioner for the purposes of medical treatment may possess and supply dangerous drugs.

Under the Dangerous Drugs Regulations (Chapter 134A of the Laws of Hong Kong) (the “**Dangerous Drugs Regulations**”), Registered Medical Practitioners shall keep a register of dangerous drugs in the form specified in the Dangerous Drugs Regulations. Any person who contravenes the provisions of the Dangerous Drugs Regulations shall be guilty of an offence and shall be liable on conviction to a fine of HK\$450,000 and to imprisonment for 3 years.

### **Waste Disposal Ordinance**

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the “**Waste Disposal Ordinance**”) controls the production, storage, collection, treatment, processing, recycling and disposal of wastes. At present, certain types of wastes including clinical waste are subject to specific controls whilst unlawful collection and deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

Clinical waste producers shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong) (the “**Waste Disposal (Clinical Waste) (General) Regulation**”).

Under the Waste Disposal (Clinical Waste) (General) Regulation, clinical waste producers must properly manage their clinical waste. They may consign the clinical waste to licensed clinical waste collectors for delivery or deliver the clinical waste themselves, if the waste producers are healthcare professionals, to a licensed disposal facility for disposal. The waste must be packaged, labelled and stored properly before disposal. Clinical waste producer also need to keep records of their clinical waste consignment and delivery records for inspection by staff of the Environmental Protection Department of the Government.

### **Undesirable Medical Advertisements Ordinance**

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) (the “**Undesirable Medical Advertisements Ordinance**”) restricts certain advertisements relating to medical, surgical appliance and treatment for certain illnesses or diseases, orally consumed products for prevention, elimination, regulation or treatment of certain illnesses or diseases and procurement of miscarriage of woman.

## REGULATORY OVERVIEW

According to the Undesirable Medical Advertisements Ordinance, “advertisement” includes any notice, poster, circular, label, wrapper or document, and any announcement made orally or by means of producing or transmitting light or sound. These include advertisements published in newspapers and magazines, leaflets, on radio, television, and internet, as well as the on the label of a container or package containing any medicine, surgical appliance, treatment, or orally consumed product.

Any person who contravenes the provisions of the Undesirable Medical Advertisements Ordinance is guilty of an offence and is liable upon a first conviction to a fine of HK\$50,000 and imprisonment for 6 months and upon a second or subsequent conviction to a fine of HK\$100,000 and imprisonment for 1 year.

### **Boilers and Pressure Vessels Ordinance**

The Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong) (the “**Boilers and Pressure Vessels Ordinance**”) controls the use and operation of boilers and pressure vessels, to provide for the holding of inquiries into accidents in or to boilers and pressure vessels and to provide for matters connected with the purposes aforesaid.

The Boilers and Pressure Vessels Ordinance provides that:

- (i) no boiler or pressure vessel, other than a pressurized fuel container, shall be used or operated unless the boiler or pressure vessel and its auxiliary equipment has been duly examined and a certificate of fitness has been issued in respect thereof after that examination. The owner of the boiler or pressure vessel who contravenes the said provisions shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$30,000;
- (ii) the owner of a boiler or pressure vessel shall keep the latest certificate of fitness issued in respect of the boiler or pressure vessel, or a copy thereof, at the premises or place at which the boiler or pressure vessel is installed. The owner of a boiler or pressure vessel who, without reasonable excuse, contravenes the said provisions shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$10,000; and
- (iii) a boiler and a pressure vessel, other than a pressurized fuel container, shall be examined by an appointed examiner within 14 months and 26 months respectively after the date of any certificate of fitness issued in respect thereof.

### **Radiation Ordinance**

The Radiation Ordinance (Chapter 303 of the Laws of Hong Kong) (the “**Radiation Ordinance**”) controls the import, export, possession and use of radioactive substances and irradiating apparatus and the prospecting and mining for radioactive minerals and for purposes connected therewith.

The Radiation Ordinance provides that, no person shall, except under and in accordance with a license duly issued have in his possession or use, any radioactive substance or irradiating apparatus. Any person who contravenes the said provisions shall be guilty of an offence and shall be liable to a fine of HK\$50,000 and to imprisonment for 2 years, and in the case of continuing offence, be liable to an additional fine of HK\$2,500 for every day during the whole or any part of which such offence is knowingly and willfully continued.

## REGULATORY OVERVIEW

Under the Radiation (Control of Irradiating Apparatus) Regulations (Chapter 303B of the Laws of Hong Kong) (the “**Radiation (Control of Irradiating Apparatus) Regulations**”), every licensee shall cause to be exhibited in a conspicuous place in any premises in which any irradiating apparatus is situated the license appertaining to such apparatus. Any licensee who fails to comply with the said provisions shall be guilty of an offence and be liable on conviction to a fine of HK\$6,000.

The Radiation (Control of Irradiating Apparatus) Regulations provides that:

- (i) no person other than a medical practitioner or a person acting under his personal supervision shall operate an irradiating apparatus for any purpose affecting the human body; and
- (ii) notwithstanding the provisions of this regulation, (a) a registered dentist may operate an irradiating apparatus for the purpose of dental exposure involving the taking of plain radiograph of the skull including the teeth or jaws; and (b) a dental surgery assistant acting under the personal supervision of a registered dentist who is present on the premises in which the examination is taking place at the time it takes place may operate an irradiating apparatus for the purpose of dental exposure involving the taking of plain radiograph of the teeth or jaws.

Any person who contravenes any of the provisions of the said regulation shall be guilty of an offence and be liable on conviction to a fine of HK\$50,000.

### **Personal Data (Privacy) Ordinance**

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “**Personal Data (Privacy) Ordinance**”) covers any data relating directly or indirectly to a living individual (data subject), from which it is practicable to ascertain the identity of the individual and which are in a form in which access or processing is practicable. It applies to any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data (i.e. data user).

In collecting, holding, storing, or even erasing personal data, our Group must comply with the Data Protection Principles of the Personal Data (Privacy) Ordinance, which are:

Principle 1 — Purpose and manner of collection of personal data. Personal data shall be collected for a purpose directly related to a function and activity of the data user, the way of data collection shall be lawful and fair, and the data subjects shall be informed of the purpose for which the personal data are collected and to be used.

Principle 2 — Accuracy and duration of retention of personal data. All practicable steps shall be taken to ensure the accuracy of personal data, and personal data is not kept longer than is necessary for the fulfilment of the purpose (including any directly related purpose) for which the data is or is to be used.

Principle 3 — Use of personal data. Unless the data subject has given prior consent, personal data shall only be used for the purpose for which they were originally collected or a directly related purpose.

## **REGULATORY OVERVIEW**

Principle 4 — Security of personal data. All practicable steps shall be taken to ensure that personal data are protected against unauthorised or accidental access, processing or erasure.

Principle 5 — Information to be generally available. All practicable steps shall be taken to ensure that a person can ascertain a data user's policies and practices in relation to personal data, be informed of the kind of personal data held by a data user and be informed of the main purposes for which personal data held by a data user is or is to be used.

Principle 6 — Access to personal data. Individuals shall be entitled to request access to and correction of their personal data.

### **Use of personal data in direct marketing**

The use of personal data in direct marketing is governed by Part 6A of the Personal Data (Privacy) Ordinance. Pursuant to section 35C of the Personal Data (Privacy) Ordinance, a data user who intends to use or provide the personal data of a data subject to others for use in direct marketing must inform the data subject of certain prescribed information and provide the data subject with a response channel through which the data subject may indicate whether he/she objects to the intended use or provision.

Data users will have to present the prescribed information in a manner which is easily readable and understandable. Such prescribed information includes the kinds of personal data to be used or provided, the classes of marketing subjects in relation to which the data is to be used for direct marketing, and, where appropriate, the classes of persons to which the data is to be provided for direct marketing purpose. If the personal data is to be provided for gain, the data user must inform the data subject the data is to be so provided.

The provisions relating to direct marketing do not apply to, among others, the offering, advertising of the availability of social or healthcare services which, if not provided, would be likely to cause serious harm to the physical or mental health of the public.

### **PRINCIPAL REGULATORY AUTHORITIES**

#### **Department of Health**

The Department of Health is the government agency responsible for the execution of healthcare policies and statutory functions. Two divisions under the Department of Health of Hong Kong conduct duties that are particularly relevant to our Group's business, namely the Centre for Health Protection and the Drug Office.

The Centre for Health Protection is a public health agency under the Department of Health of Hong Kong and is responsible for the prevention and the control of communicable and non-communicable diseases. All Registered Medical Practitioners are required to notify the Centre for Health Protection all suspected or confirmed cases of 49 notifiable diseases as set out in the First Schedule of the Prevention and Control of Disease Ordinance (Chapter 599 of the Laws of Hong Kong).

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The Drug Office is the law enforcement agency over the legislations concerning medicines. It also provides for the procurement and dispensing of medicines at the clinics of the Department of Health of Hong Kong. The Drug Office is responsible for the market surveillance of medicines, risk assessment, traders licensing and compliance, drug registration and import/export control and clinic service and business.

### **Medical Council of Hong Kong**

The Medical Council was founded to assure and promote the quality in the medical profession in order to protect patients, foster ethical conduct and develop and maintain high professional standards. Empowered by the Medical Registration Ordinance, the Medical Council maintains a register of eligible medical practitioners, administers the licensing examination, issues guidelines and a Code of Professional Conduct, exercises regulatory and disciplinary powers for the profession and answers general enquiries from Registered Medical Practitioners and the public.

All Registered Medical Practitioners in Hong Kong are governed by the Code of Professional Conduct.

Under the Code of Professional Conduct, practice promotion by individual Registered Medical Practitioner, or by anybody acting on their behalf or with their consent, to people who are not their patients is not permitted except to the extent allowed under the Code of Professional Conduct. Under the Code of Professional Conduct, a Registered Medical Practitioner may publish his service information in newspapers, magazines, journals and periodicals for the purpose of enabling the public to make an informed choice of Registered Medical Practitioners. However, a publication published for the predominant purpose of promotion of the products or services of a Registered Medical Practitioner or other persons is not acceptable for this purpose.

When the Medical Council finds that a Registered Medical Practitioner has been guilty of professional misconduct or has committed any disciplinary offence as set out in section 21(1) of the Medical Registration Ordinance, it may, in its discretion, order:

- (i) the removal of the name of the Registered Medical Practitioner from the General Register or from the Specialist Register, either indefinitely or for a specified period, and either for the removal to be immediate or to be suspended subject to conditions;
- (ii) the Registered Medical Practitioner to be reprimanded; or
- (iii) a warning letter be served on the Registered Medical Practitioner.

### **Hong Kong Academy of Medicine**

The Hong Kong Academy of Medicine (the “**HKAM**”) is an independent institution with the statutory power to organise, monitor, assess and accredit all medical specialist training and to oversee the provision of continuing medical education.

The constitution of the HKAM consists of the Hong Kong Academy of Medicine Ordinance (Chapter 419 of the Laws of Hong Kong) (the “**Hong Kong Academy of Medicine Ordinance**”), the Hong Kong Academy of Medicine Regulation (Chapter 419B of the Laws of Hong Kong) (the “**HKAM**

## REGULATORY OVERVIEW

**Regulation**”) and the HKAM bylaws. The Hong Kong Academy of Medicine Ordinance covers the objectives of, composition and powers of the HKAM, and the admission of Academy Colleges (as defined in the Hong Kong Academy of Medicine Ordinance) and Fellows. The HKAM Regulation is a subsidiary legislation on the conduct of general meetings, council election procedures and regulations governing Academy Colleges. The HKAM bylaws cover admission criteria for members, termination of membership, subscriptions and duties of office bearers.

### **The Dental Council of Hong Kong**

The Dental Council is established under the Dentists Registration Ordinance. The Dental Council is responsible for the registration of dentists, the conduct of the licensing examination, the maintenance of ethics, professional standards and discipline of the dental profession.

The Dental Council has published the Code of Professional Discipline as to the guideline on the proper behaviour to be observed in the dental profession and what may commonly constitute unprofessional conduct. The Dental Council will decide on merits of each individual case as to whether the conduct of an individual dental practitioner under complaint or information received constitutes unprofessional conduct.

Similar to Registered Medical Practitioners, practice promotion by individual Registered Dental Practitioner, or by anybody acting on their behalf or with their consent, to people who are not their patients must comply with the Code of Professional Discipline. Under the Code of Professional Discipline, a Registered Dental Practitioner may publish his service information in newspapers, magazines, journals and periodicals for the purpose of enabling the public to make an informed choice of Registered Dental Practitioner. However, a publication published for the predominant purpose of promotion of products or services is not acceptable for this purpose.

When the Dental Council finds that a Registered Dental Practitioner has been guilty of unprofessional conduct or has committed any disciplinary offence as set out in section 18(1) of the Dentists Registration Ordinance, it may, in its discretion:

- (i) order the name of the Registered Dental Practitioner to be removed from the General Register, either indefinitely or for such period as it may think fit;
- (ii) order the Registered Dental Practitioner to be reprimanded; or
- (iii) make any other order as it thinks fit, but no such order shall be of greater severity than those in paragraphs (i) to (ii) above.

### **Pharmacy and Poisons Board**

The Pharmacy and Poisons Board of Hong Kong is established under section 3 of the Pharmacy and Poisons Ordinance. The Pharmacy and Poisons Board of Hong Kong is responsible for carrying out, among others, registration and discipline of pharmacists, licensing and regulatory control of wholesale dealers, importers, exporters and manufacturers of pharmaceutical products, regulatory control of the selling, purchasing, compounding and dispensing of pharmaceutical products, and the registration and classification of pharmaceutical products.

## REGULATORY OVERVIEW

### GOVERNMENT'S CONSULTATION DOCUMENT ON THE REGULATION OF PRIVATE HEALTHCARE FACILITIES AND ITS POTENTIAL IMPACT ON OUR GROUP

In December 2014, the Food and Health Bureau of the Government issued the Consultation Document on the Regulation of Private Healthcare Facilities (the “**Consultation Document**”), which contains, among other things, proposals to introduce a new regulatory regime covering three classes of private healthcare facilities (“**PHFs**”), namely (i) hospitals; (ii) facilities providing high-risk medical procedures in ambulatory setting; and (iii) facilities providing medical services under the management of incorporated bodies. The Consultation Document stated that the Government plan to implement the proposals through replacing the Hospital, Nursing Homes and Maternity Homes Registration Ordinance (Chapter 165 of the Laws of Hong Kong) and the Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong) by a new legislation regulating PHFs.

In this connection, the Senior Counsel noted, in particular, that the Government appears to be concerned with the absence of any existing regulations governing such organizations as our Group, i.e. facilities providing medical services under the management of incorporated bodies. The Consultation Document stated that:

*“Other PHFs, such as ambulatory medical centres and clinics operated by medical groups or individuals (or jointly by several) medical practitioners, are not subject to direct statutory control beyond regulation of individuals’ professional practice. Regulatory oversight is achieved indirectly through generic regulations applicable to aspects such as healthcare professionals, the use and handling of dangerous drugs as well as the instalment and operation of irradiating equipment.”*

Accordingly, the Senior Counsel is of the view that the consultation will likely lead to changes designed to govern corporate structures such as our Group.

The Consultation Document further stated that:

*“Evolution in the provisions of medical service gives rise to a type of organisations, operated in the form of incorporated bodies (also commonly known as ‘Medical Groups’ or ‘Managed Care Organisations’), in which non-medical investors or managers may take part in the operation of PHFs. We accept that regulation is necessary for PHFs under the management of this type of organisations in which the practicing medical practitioners do not have full control of the PHFs concerned in ensuring effective governance and maintaining high service quality. Conventional PHFs owned, managed, operated and serviced solely by identical registered medical practitioners should be exempt from regulation because there would not be similarly perceived operational risk. The practising medical practitioner, in these conventional PHFs, could be held solely accountable for their own practice. Any matters arising from these PHFs could be followed up by existing established mechanism governing the professional practice of the registered medical practitioners concerned.”*

Based on the above, the Senior Counsel stated that it seems that a structure “*owned, managed, operated and serviced solely by identical registered medical practitioners*” will be exempted from the intended scope of legislation, and that insofar as our Group falls within “*facilities providing medical services under the management of incorporated bodies*”, whether the newly-introduced regulation will apply to our Group would depend on whether the structure will be “*owned, managed, operated and serviced solely by identical registered medical practitioners*”.

## REGULATORY OVERVIEW

Throughout the Track Record Period and up to the present, our Group is not owned, managed, operated and serviced *solely* by Registered Medical Practitioners. Our Directors do not foresee any immediate change in our structure after Listing. Accordingly, the Senior Counsel stated that as the terms of the proposal now stand, it appears that our Group's structure will fall within the intended scope of any new legislation in this connection.

The Senior Counsel also stated that, for completeness, there is a possibility that our Group will also fall within the second class, namely, "facilities providing high-risk medical procedures in ambulatory setting", depending on the precise medical procedures provided by our Group and whether such procedures are classified as high-risk pursuant to the relevant classification system. If our Group does fall within this class, then there will be a need to obtain license and there may be on-going review on such high-risk procedures, which will have an impact on the relevant facility standards required.

The Senior Counsel stated that insofar as the current status of the proposed reform is concerned, it would appear that it is currently in the hands of the Government to put forward a reform package. As the legislative regime has yet to be conclusively set out, it is not clear what precise requirements may be imposed, and are therefore necessary to be complied with by our Group. Nevertheless, the Senior Counsel stated that it would seem necessary, as a first step, for our Group to apply for a license under the new legislative regime governing PHFs as and when it is finally introduced. Moreover, based on a Legislative Council Brief in relation to the Consultation Document, any new legislation will likely introduce requirements in "*nineteen regulatory aspects encompassing key areas namely corporate governance, standard of facilities, clinical quality, price transparency and sanctions as essential regulatory requirements for private hospitals, with suitable adaptation commensurate with the lower degree of complexity and risks of medical services provided in other*" PHFs. Finally, any legislative change/introduction will also "*confer the regulatory authority with enhanced regulatory powers*" for regulating PHFs such as the Group.

### GOVERNMENT'S CONSULTATION DOCUMENT ON VOLUNTARY HEALTH INSURANCE SCHEME AND ITS POTENTIAL IMPACT ON OUR GROUP

In December 2014, the Food and Health Bureau of the Government issued the Consultation Document on Voluntary Health Insurance Scheme (the "**VHIS**"). As advised by the Senior Counsel, in gist, the aim of the VHIS is to require all individual indemnity hospital insurance products in the market to comply with a set of minimum standards ("**Minimum Requirements**"), which are designed to address the shortcomings of the existing market as revealed in previous rounds of public consultation on healthcare reform in 2008 and 2010. In the Consultation Document on VHIS, it is clarified, for the avoidance of doubt, that an outpatient-only policy will not be regulated by the Minimum Requirements. As such, the Senior Counsel considers it likely that the results of any VHIS consultations and the resulting legislative changes will have a most direct and primary impact on private hospitals. Nonetheless, the Senior Counsel pointed out the following factors, with which our Directors concur:

- (i) The Senior Counsel stated that he can envisage that an increase in the subscription of individual indemnity hospital insurance may result in a reduced reliance on non-hospital private healthcare providers such as our Group. However, it is difficult to envisage precisely what sort of effect this would have, at this early juncture. Moreover, the Senior Counsel considers that any such impact may well be mitigated by the second factor identified below.

## REGULATORY OVERVIEW

- (ii) The Senior Counsel noted that although the VHIS consultation concerns only individual indemnity hospital insurance, it does propose to cover prescribed ambulatory procedures. According to the Consultation Document on VHIS, it is proposed that the Minimum Requirements will cover, in addition to hospitalisation, a list of prescribed ambulatory procedures necessitated by diagnosed medical conditions, including endoscopies (e.g. oesophago-gastro-duodenoscopy, colonoscopy, etc.) and certain relatively simple surgeries such as cataract extraction and intra-ocular lens implantation surgery. The Consultation Document on VHIS stated that:

*“The effect of the VHIS on the healthcare system can also be manifested in terms of healthcare delivery mode. Currently, a significant proportion of clinical procedures such as endoscopies are performed in in-patient setting. According to the estimate by the Consultant, about 40%-65% of endoscopies are performed in an in-patient setting with overnight stay. This situation could be attributed to the fact that existing Hospital Insurance often requires proof of overnight stay in order to provide coverage for these procedures, even if the procedures concerned do not necessarily require hospitalisation. Under the VHIS, there would be opportunities for these procedures to be shifted from in-patient to ambulatory setting. This is because prescribed ambulatory procedures (such as endoscopies) would be covered under the Minimum Requirements, and the benefit levels would be set based on price levels in the ambulatory procedure market in order to encourage the shift of activities to ambulatory setting.*

*Under the forecast scenario, it is expected that a significant proportion of in-patient procedures would be conducted under ambulatory setting instead.”*

The Senior Counsel considers that this may well prompt further interest in private healthcare providers such as our Group, which enable certain procedures to be conducted in an ambulatory (as opposed to in-patient) setting. The Senior Counsel stated that it is, however, unclear at this juncture what these prescribed ambulatory procedures might be, and how they would impact upon the operation of our Group’s business. Further, it is not clear at this stage whether such ambulatory procedures can only be carried out by private hospitals or also by private healthcare providers such as our Group.

Hence, to conclude, the Senior Counsel finds it impossible to express any conclusive views on the likely impact of VHIS, not least because (i) it is still at a relatively early stage of implementation; and (ii) the intended scope of the proposed reforms remain largely open and can undergo variations throughout the implementation stage. That said, it remains that the primary focus of regulation would be on insurers providing in-patient insurance policies. It therefore follows that this should have a most direct and immediate impact on private hospitals.

## HISTORY AND DEVELOPMENT

### OUR CORPORATE HISTORY

#### Overview

Our Group was founded in 1994 when Mr. Chan, together with his former spouse, set up MediNet Services using his own personal funds. Mr. Chan is an executive Director, the chairman of the Board, our general manager and one of our Controlling Shareholders. For the biographical information of Mr. Chan, please refer to the section “*Directors and Senior Management*” in this prospectus.

Our Group is principally engaged in the provision of corporate medical and dental solutions to Contract Customers and the operation of our MediNet Centres and Dental Clinics. Our principal operating subsidiaries include MediNet Health Centre, MediNet Services, Well Being Dental, and Men’s Health Solutions.

#### Major developments and milestones

The following table sets out the major development and milestones of our Group since establishment:

<b>Year</b>	<b>Event</b>
1994	MediNet Services was incorporated in Hong Kong with limited liability on 29 March 1994 and commenced business in the same year.  Well Being Dental was incorporated in Hong Kong with limited liability on 22 December 1994.
1995	Well Being Dental commenced business and set up four Dental Clinics located, respectively, in Central, North Point (subsequently closed in 2006), Tsim Sha Tsui and Mong Kok.
1998	MediNet Health Centre was incorporated in Hong Kong with limited liability on 9 December 1998.
1999	MediNet Health Centre commenced business and set up the first MediNet Centre located in Kwun Tong (subsequently closed in 2008).  Well Being Dental set up another Dental Clinic located in Kwun Tong.
2000	MediNet Health Centre set up another MediNet Centre located in Central.
2002	MediNet Health Centre set up another MediNet Centre located in Tsim Sha Tsui.
2003	Men’s Health Solutions was incorporated in Hong Kong with limited liability on 20 October 2003 and commenced business in the same year.
2005	Well Being Dental set up another Dental Clinic located in Causeway Bay.
2015	Our Company was incorporated in the Cayman Islands with limited liability on 20 August 2015 as part of the Reorganisation.

## HISTORY AND DEVELOPMENT

### Principal operating subsidiaries

The following table sets out details of our wholly-owned principal operating subsidiaries:

Name	Place of incorporation	Date of incorporation	Issued share capital	Principal business activities
MediNet Services	Hong Kong	29 March 1994	HK\$10,000,000	Provision of medical solutions to Contract Customers
Well Being Dental	Hong Kong	22 December 1994	HK\$10,000,000	Provision of dental solutions to Contract Customers and operation of Dental Clinics
MediNet Health Centre	Hong Kong	9 December 1998	HK\$500,000	Operation of MediNet Centres (in relation to general practice consultation services offered by MediNet Doctors at the MediNet Centres)
Men's Health Solutions	Hong Kong	20 October 2003	HK\$10,000	Operation of MediNet Centres (in relation to men's health treatments offered by MediNet Doctors at the MediNet Centres)

### Our Company

As part of the Reorganisation, our Company was incorporated in the Cayman Islands with limited liability on 20 August 2015. Upon completion of the Reorganisation, our Company became the holding company of our Group on 11 November 2015, details of which are set out in the paragraph headed “*Reorganisation*” in this section. The principal business activity of our Company is investment holding.

### MediNet BVI

As part of the Reorganisation, MediNet BVI was incorporated on 12 August 2015 in the BVI. Upon completion of the Reorganisation, MediNet BVI became the intermediate holding company of our Group, directly holding the entire issued share capital of each of MediNet Services, Well Being Dental, MediNet Health Centre, and Men's Health Solutions. For details of the Reorganisation, please refer to the paragraph headed “*Reorganisation*” in this section. The principal business activity of MediNet BVI is investment holding.

## HISTORY AND DEVELOPMENT

### **MediNet Services**

MediNet Services was incorporated in Hong Kong with limited liability on 29 March 1994. Upon incorporation of MediNet Services, two shares of MediNet Services were allotted and issued to two initial subscribers at the par value of such shares. In August 1994, the two initial subscribers transferred their respective one share of MediNet Services at nominal consideration to Mr. Chan and his former spouse respectively, and an addition of 98 shares of MediNet Services were allotted and issued to Mr. Chan at the par value of such shares. As a result, MediNet Services was owned as to 99% by Mr. Chan and as to 1% by his former spouse. Since then and up to the commencement of the Track Record Period, a number of transfers and allotments and issues of shares of MediNet Services were effected, resulting in MediNet Services being owned as to 99.9999% (or 999,999 shares) by MediNet Holdings (a company 100% beneficially owned by Mr. Chan) and as to 0.0001% (or 1 share) by Mr. Chan upon the commencement of the Track Record Period.

From the commencement of the Track Record Period up to immediately prior to the Reorganisation, there were no further changes in the shareholding of MediNet Services, and MediNet Services was owned as to 999,999 shares by MediNet Holdings (a company 100% beneficially owned by Mr. Chan) and as to 1 share by Mr. Chan.

### **Well Being Dental**

Well Being Dental was incorporated in Hong Kong with limited liability on 22 December 1994. Upon incorporation of Well Being Dental, two shares of Well Being Dental were allotted and issued to two initial subscribers at the par value of such shares. In July 1996, the two initial subscribers transferred their respective one share of Well Being Dental at nominal consideration to Mr. Chan and his former spouse respectively. Since then and up to the commencement of the Track Record Period, a number of transfers and allotments and issues of shares of Well Being Dental were effected, resulting in Well Being Dental being owned as to 99.99999% (or 9,999,999 shares) by MediNet Holdings (a company 100% beneficially owned by Mr. Chan) and as to 0.00001% (or 1 share) by Mr. Chan upon the commencement of the Track Record Period.

From the commencement of the Track Record Period up to immediately prior to the Reorganisation, there were no further changes in the shareholding of Well Being Dental, and Well Being Dental was owned as to 9,999,999 shares by MediNet Holdings (a company 100% beneficially owned by Mr. Chan) and as to 1 share by Mr. Chan.

### **MediNet Health Centre**

MediNet Health Centre was incorporated in Hong Kong with limited liability on 9 December 1998. Upon incorporation of MediNet Health Centre, two shares of MediNet Health Centre were allotted and issued to two initial subscribers at the par value of such shares. In January 1999, the two initial subscribers transferred the two shares of MediNet Health Centre at nominal consideration to Mr. Chan and his former spouse respectively. Since then and up to the commencement of the Track Record Period, a transfer and an allotment and issue of shares of MediNet Health Centre were effected, resulting in MediNet Health Centre being owned as to 99.9998% (or 499,999 shares) by MediNet Holdings (a company 100% beneficially owned by Mr. Chan) and as to 0.0002% (or 1 share) by Mr. Chan upon the commencement of the Track Record Period.

## HISTORY AND DEVELOPMENT

From the commencement of the Track Record Period up to immediately prior to the Reorganisation, there were no further changes in the shareholding of MediNet Health Centre, and MediNet Health Centre was owned as to 499,999 shares by MediNet Holdings (a company wholly owned by Mr. Chan) and as to 1 share by Mr. Chan.

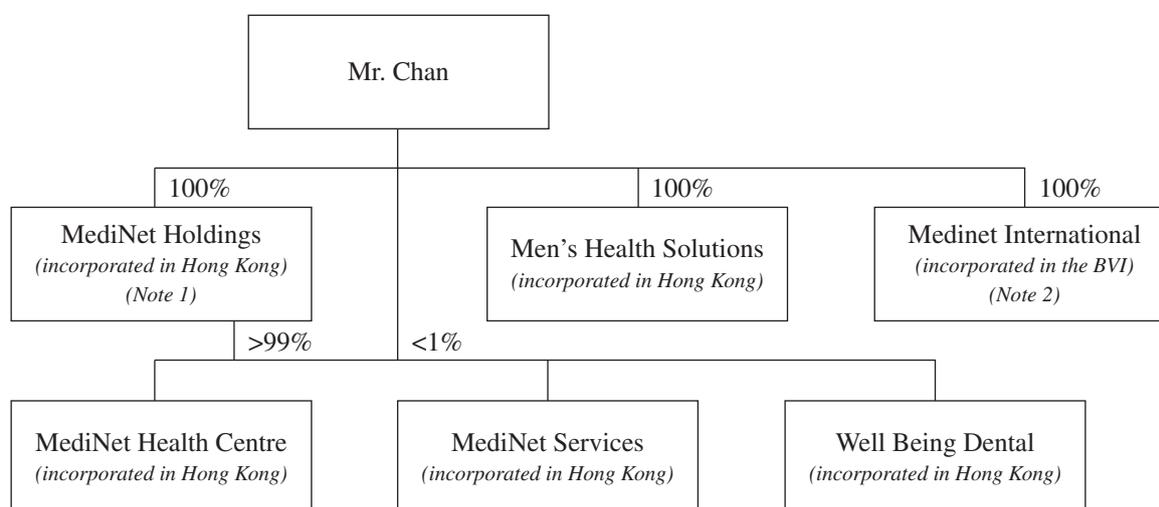
### Men's Health Solutions

Men's Health Solutions was incorporated in Hong Kong with limited liability on 20 October 2003. Upon incorporation of Men's Health Solutions, two shares of Men's Health Solutions were allotted and issued at the par value of such shares to Mr. Chan and MediNet Holdings (a company 100% beneficially owned by Mr. Chan) respectively. Since then and up to the commencement of the Track Record Period, a number of transfers and an allotment and issue of shares of Men's Health Solutions were effected, resulting in Men's Health Solutions being owned, upon the commencement of the Track Record Period, as to 80% (or 8,000 shares) by Mr. Chan, as to 10% (or 1,000 shares) by Mr. Manuel Leon Karell (a former director of Men's Health Solutions prior to the Track Record Period who held all his shares of Men's Health Solutions on trust for the benefits of Mr. Chan), and as to 10% (or 1,000 shares) by Mr. Yeung Sut Ip, Frank (a former director of Men's Health Solutions prior to the Track Record Period who held all his shares of Men's Health Solutions on trust for the benefits of Mr. Chan). On 29 May 2015, the legal title of the respective 1,000 shares of Men's Health Solutions held by each of Mr. Manuel Leon Karell and Mr. Yeung Sut Ip, Frank were transferred to Mr. Chan for a nominal consideration of HK\$1 per share. After such transfer and up to immediately prior to the Reorganisation, there were no further changes in the ownership of the shares of Men's Health Solutions.

Accordingly, from the commencement of the Track Record Period up to immediately prior to the Reorganisation, Men's Health Solutions was 100% beneficially owned by Mr. Chan.

### REORGANISATION

The following chart sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



## HISTORY AND DEVELOPMENT

*Notes:*

1. MediNet Holdings is an investment holding company incorporated in Hong Kong with limited liability on 22 December 1999, which is 100% beneficially owned by Mr. Chan.
2. Medinet International is an investment holding company incorporated in the BVI with limited liability on 2 June 2011, which is wholly owned by Mr. Chan and is one of the Controlling Shareholders of our Company upon completion of the Reorganisation.

The companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

*1. Incorporation of MediNet BVI*

MediNet BVI was incorporated in the BVI with limited liability on 12 August 2015. It has 600 shares of par value US\$1.00 each in issue, credited as fully paid, to Medinet International. MediNet BVI is principally engaged in investment holding.

*2. Incorporation of our Company*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 August 2015. Upon incorporation, the authorised share capital was HK\$390,000 divided into 39,000,000 Shares and initially one Share was allotted and issued, credited as fully paid at par, to an initial subscriber, which was transferred to Medinet International on the same date at HK\$0.01.

*3. Acquisition of MediNet Services, MediNet Health Centre, Well Being Dental and Men's Health Solutions by MediNet BVI*

On 28 August 2015, MediNet BVI acquired 99.9998% and 0.0002% of the issued share capital of MediNet Health Centre from MediNet Holdings and Mr. Chan, respectively, in consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and 1 share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid. Upon completion of the share transfer, MediNet Health Centre has become a direct wholly-owned subsidiary of MediNet BVI. In consideration of MediNet Holdings and Mr. Chan nominating Medinet International to hold 100 shares of MediNet BVI, Medinet International allotted and issued 1 share of Medinet International to Mr. Chan.

On 28 August 2015, MediNet BVI acquired 99.9999% and 0.0001% of the issued share capital of MediNet Services from MediNet Holdings and Mr. Chan, respectively, in consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and 1 share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid. Upon completion of the share transfer, MediNet Services has become a direct wholly-owned subsidiary of MediNet BVI. In consideration of MediNet Holdings and Mr. Chan nominating Medinet International to hold 100 shares of MediNet BVI, Medinet International allotted and issued 1 share of Medinet International to Mr. Chan.

## HISTORY AND DEVELOPMENT

On 28 August 2015, MediNet BVI acquired 99.99999% and 0.00001% of the issued share capital of Well Being Dental from MediNet Holdings and Mr. Chan, respectively, in consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and 1 share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid. Upon completion of the share transfer, Well Being Dental has become a direct wholly-owned subsidiary of MediNet BVI. In consideration of MediNet Holdings and Mr. Chan nominating Medinet International to hold 100 shares of MediNet BVI, Medinet International allotted and issued 1 share of Medinet International to Mr. Chan.

On 28 August 2015, MediNet BVI acquired 100% of the issued share capital of Men's Health Solutions from Mr. Chan, in consideration of MediNet BVI allotting and issuing 100 shares of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid. Upon completion of the share transfer, Men's Health Solutions has become a direct wholly-owned subsidiary of MediNet BVI. In consideration of Mr. Chan nominating Medinet International to hold 100 shares of MediNet BVI, Medinet International allotted and issued 1 share of Medinet International to Mr. Chan.

#### *4. Transfer of 250 shares of MediNet BVI by Medinet International to NSD Capital*

On 28 October 2015, Medinet International transferred 250 shares of MediNet BVI to NSD Capital, in consideration of HK\$45,000,000. Upon completion of such transfer, MediNet BVI was owned as to 75% by Medinet International and as to 25% by NSD Capital. For further information regarding such transfer, please refer to the paragraph headed "*Pre-IPO investment by NSD Capital*" below in this section.

#### *5. Share swap between Medinet International, NSD Capital and our Company*

On 11 November 2015, each of Medinet International and NSD Capital transferred 750 shares and 250 shares of MediNet BVI to our Company, in consideration of our Company allotting and issuing 74 Shares and 25 Shares, all credited as fully paid, to Medinet International and NSD Capital respectively. Upon completion of the share swap, MediNet BVI has become a direct wholly-owned subsidiary of our Company.

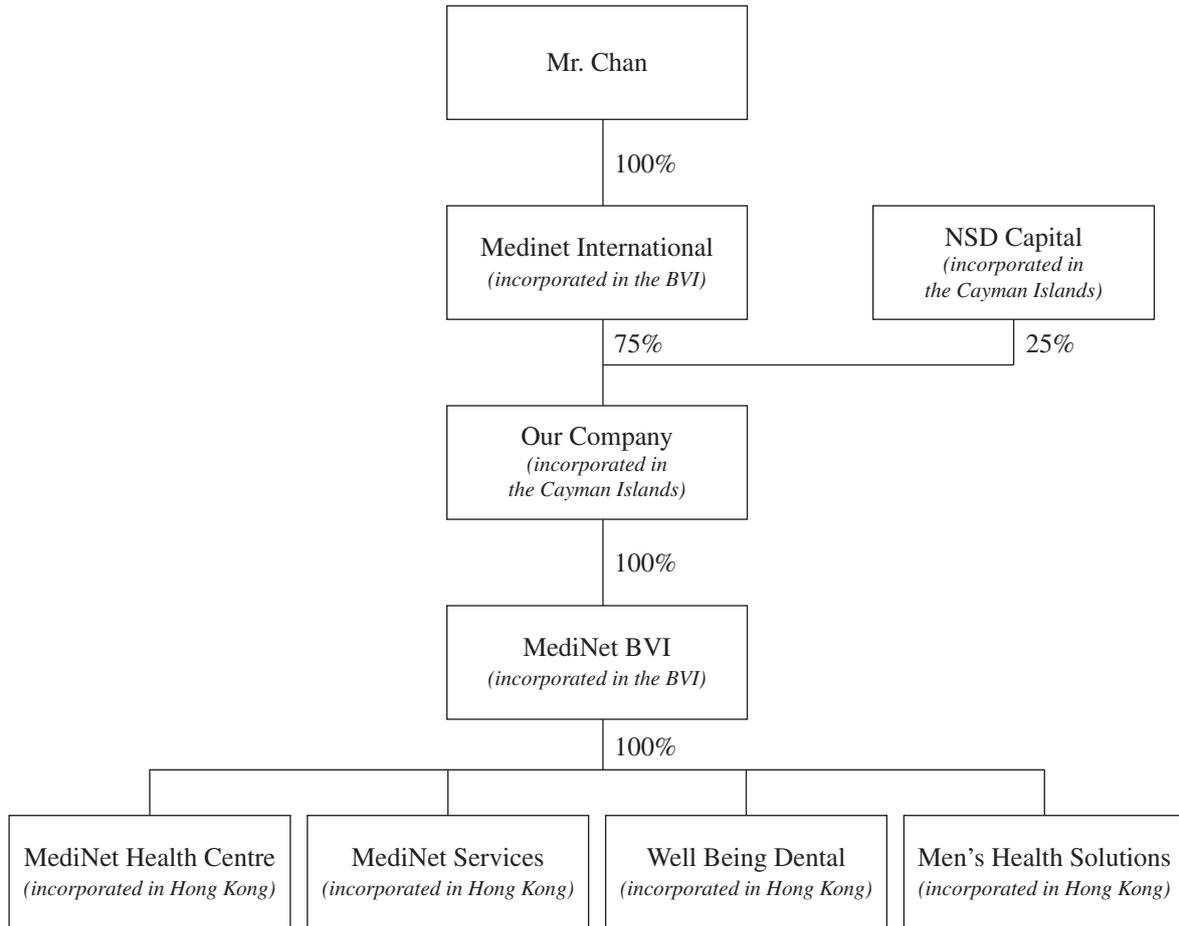
#### *6. Increase of authorised share capital of our Company*

On 19 May 2016, our Company increased its authorised share capital from HK\$390,000 to HK\$50,000,000 by the creation of an additional 4,961,000,000 Shares.

As confirmed by our Directors and our HK Legal Advisers, the change of shareholdings in MediNet Services, Well Being Dental, MediNet Health Centre and Men's Health Solutions, being our principal operating subsidiaries incorporated in Hong Kong, under the Reorganisation would not require any approval or permit from any relevant Government authorities in Hong Kong.

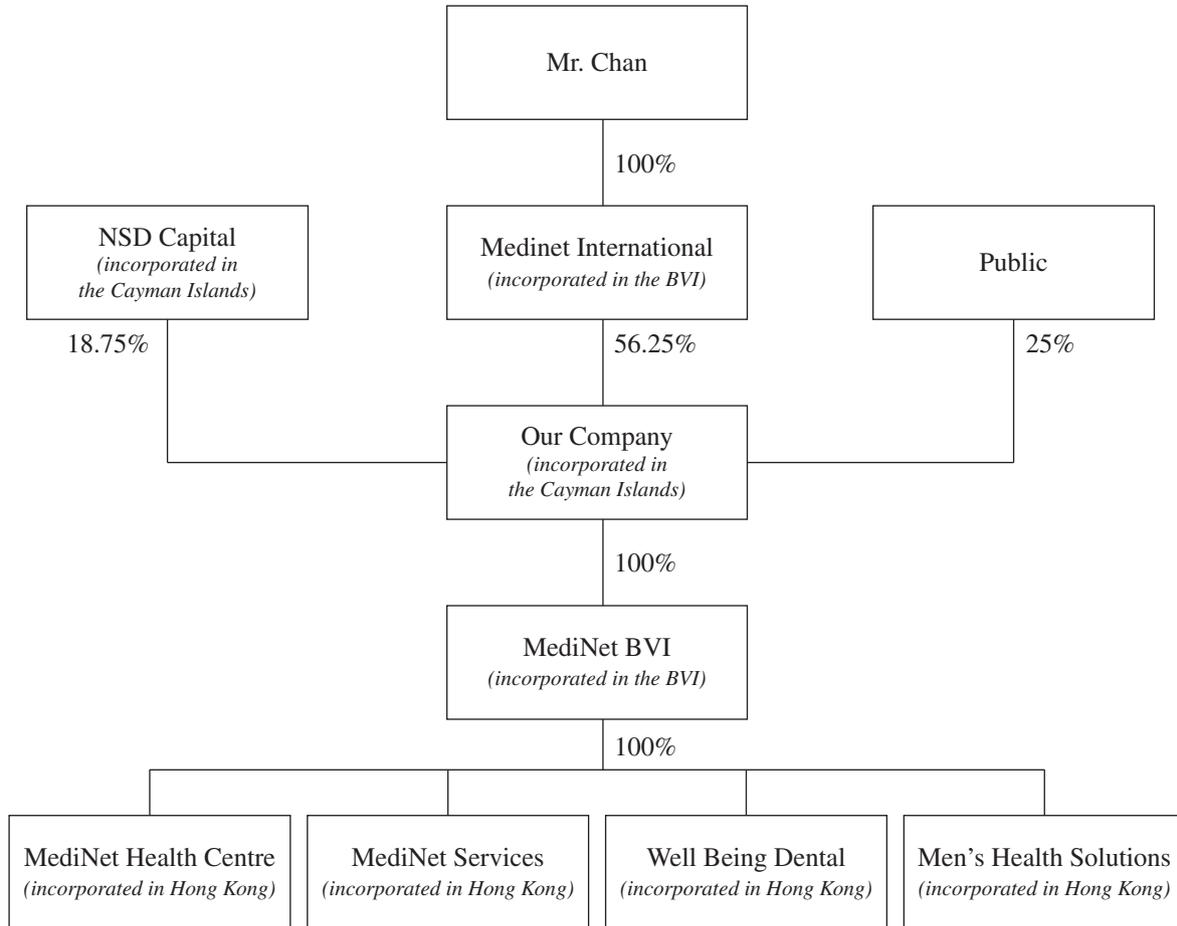
## HISTORY AND DEVELOPMENT

The following chart sets forth our corporate and shareholding structure immediately following completion of the Reorganisation:



## HISTORY AND DEVELOPMENT

The following chart sets forth our corporate and shareholding structure immediately following completion of the Capitalisation Issue and the Placing:



### PRE-IPO INVESTMENT BY NSD CAPITAL

#### Principal terms of the pre-IPO investment

On 28 October 2015, NSD Capital, Medinet International and Mr. Chan entered into a sale and purchase agreement (the “SPA”) pursuant to which NSD Capital acquired 25% of the total issued shares of MediNet BVI for a total consideration of HK\$45,000,000 from Medinet International (the then shareholder of MediNet BVI). Completion of such sale and purchase took place on 28 October 2015.

## HISTORY AND DEVELOPMENT

The table below summarizes the principal terms of the pre-IPO investment by NSD Capital:

<b>Name of pre-IPO investor</b>	NSD Capital
<b>Date of sale and purchase agreement</b>	28 October 2015
<b>Number of shares purchased</b>	250 shares of MediNet BVI, representing 25% of the total issued shares of MediNet BVI
<b>Amount of consideration paid</b>	HK\$45,000,000 in cash
<b>Payment date of the consideration</b>	28 October 2015
<b>Basis of determining the consideration</b>	The consideration was determined based on arm's length negotiations with regard to our Group's financial conditions and operational results.
<b>Price paid per share of Medinet (BVI) Limited</b>	HK\$180,000 per share of MediNet BVI
<b>Discount to the Placing Price</b>	On the basis that NSD Capital is expected to hold 195,000,000 Shares (representing 18.75% of the total issued Shares of our Company) immediately following completion of the Capitalisation Issue and the Placing, the price paid by NSD Capital per Share is approximately HK\$0.2308, representing a discount of approximately 11.23% to the Placing Price of HK\$0.26 per Placing Share (being the mid-point of the indicative Placing Price range).
<b>Use of proceeds from the pre-IPO investment</b>	Not applicable. The investment by NSD Capital was by way of purchasing the shares of MediNet BVI from Medinet International, the then shareholder of MediNet BVI.
<b>Strategic benefits to the Company</b>	Our Group may from time to time in the future seek strategic advice from NSD Capital concerning the development of the medical and dental services industry in Hong Kong and our Group's business positioning and strategies. Such advice, if any, will be provided by NSD Capital to us at its discretion in its capacity as a Substantial Shareholder of our Company. No agreement has been entered into between NSD Capital and us concerning the provision of any such advice. No fees were paid and no fees will be payable by us to NSD Capital for any such advice.
<b>Shareholding in the Company to be held by NSD Capital upon Listing</b>	18.75%

## HISTORY AND DEVELOPMENT

### Background of NSD Capital

NSD Capital is an exempted company incorporated with limited liability in the Cayman Islands. The authorised capital of NSD Capital is US\$50,000 divided into 100 management shares of US\$1.00 par value each and 4,990,000 participating shares of US\$0.01 par value each. NSD Capital is principally engaged in investment holding.

The current holder of all management shares of NSD Capital is Convoy Fund Management Limited (formerly known as DRL Capital Investment Management Limited) (“**CFM**”), which is a wholly-owned subsidiary of Convoy Financial Holdings Limited (“**Convoy Financial**”) (a company listed on the Main Board of the Stock Exchange under stock code 1019). According to the latest annual report of Convoy Financial published on the website of the Stock Exchange, (i) CFM is principally engaged in the provision of capital investment and advisory services; and (ii) Convoy Financial is principally engaged in the independent financial advisory business, money lending business, proprietary investment business, asset management business and corporate finance advisory services.

The participating shares of NSD Capital are currently held as to approximately 11.11% by DRL Capital (a 74.8%-owned subsidiary of Convoy Collateral Limited, which is a wholly-owned subsidiary of Convoy Financial), as to approximately 43.14% by Lime Development Limited (a wholly-owned subsidiary of Town Health International Medical Group Limited (“**Town Health**”), which is a company listed on the Main Board of the Stock Exchange under stock code 3886), and as to approximately 45.75% by Convoy Collateral Limited (a wholly-owned subsidiary of Convoy Financial). According to the latest annual report of Town Health published on the website of the Stock Exchange, Town Health is principally engaged in the provision of healthcare and dental services, provision of health check and laboratory services, managed care business, and investments in securities and properties.

For the avoidance of doubt, our Group has not entered into any transactions with NSD Capital or Convoy Financial or Town Health, or their respective associates. MediNet Services, a subsidiary of our Company, had appointed the individual doctors (the “**Individual Doctors**”) from various medical centres managed by Town Health Medical & Dental Services Limited, a subsidiary of Town Health, to join as Affiliated Doctors to our MediNet Network for the provision of medical services to Plan Members of our Contract Customers. In accordance with the terms of the relevant agreements with Individual Doctors, similar to other Affiliated Doctors of our Group, the Individual Doctors received from us an agreed rate for the type of medical services provided to the Plan Members and the amount of service fees (the “**Service Fees**”) paid/payable to the Individual Doctors depend on the number of Plan Members treated each month. The Service Fees were received by Town Health on behalf of the Individual Doctors. As confirmed by Town Health Medical & Dental Services Limited, the Individual Doctors have the sole discretion in joining the MediNet Network and Town Health has no control on the Individual Doctors to receive the Service Fees payable by our Group to the Individual Doctors. As such, although our Group paid Service Fees to Town Health, there were no transactions entered into between our Group and Town Health in substance. As at 31 March 2014, 31 March 2015 and as at the Latest Practicable Date, our Group engaged 35, 43 and 42 Individual Doctors working at 27, 28 and 27 Affiliated Clinics operated by Town Health as part of our MediNet Network, respectively. For FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, the Service Fees paid to the Individual Doctors amounted to approximately HK\$2.5 million, HK\$2.8 million and HK\$2.3 million,

## HISTORY AND DEVELOPMENT

respectively, representing 7.6%, 8.3% and 8.3% of the Group's total fees to Affiliated Doctors and Affiliated Auxiliary Services Providers and reimbursement to Plan Members of the corresponding year/period.

### **Special rights granted to NSD Capital**

The SPA contains a clause (which will cease to have any effect upon Listing) pursuant to which Medinet International undertakes to NSD Capital that at all times prior to the Listing (save for the sale of the shares of MediNet BVI pursuant to the SPA or the implementation of transactions in relation or incidental to the Reorganisation and the Listing), it will not:

- (a) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any shares of MediNet BVI or any interests therein; or
- (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of any shares of MediNet BVI or any interests therein, whether any such transaction is to be settled by delivery of shares of MediNet BVI or such other securities, in cash or otherwise; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above, unless with the prior written consent of NSD Capital.

In addition, the SPA contains a clause (which will cease to have any effect upon Listing) pursuant to which each of Medinet International and Mr. Chan undertakes to NSD Capital to procure that, at all times prior to the Listing, save in so far as agreed in writing by NSD Capital or the implementation of transactions in relation or incidental to the Reorganisation and the Listing:

- (a) each of the Group companies shall not issue or agree to issue any shares, warrants or other securities or loan capital or grant or agree to grant any option over or right to acquire or convert into any share or loan capital in each of the Group companies or otherwise take any action which might result in NSD Capital reducing its interests in the Group Companies, save for the issue of shares of the Group Companies in connection with the Listing;
- (b) NSD Capital shall have the first right of refusal to participate in all future issue proposed by any Group company of equity securities (or rights to acquire such equity securities or securities convertible into, or exchangeable for, such equity securities) to the extent necessary to maintain its proportionate fully diluted equity interest (if any);
- (c) NSD Capital shall have the right to appoint one director to the board of directors of MediNet BVI and our Company, and Medinet International and Mr. Chan shall take all necessary actions to effect the appointment of such director as nominated by NSD Capital on the board of directors of MediNet BVI and our Company respectively;
- (d) NSD Capital shall have reasonable access to all financial records of our Group;

## HISTORY AND DEVELOPMENT

- (e) each Group company shall carry on its business as a going concern in the ordinary and usual course as carried on prior to the date of the SPA and shall not acquire assets or investments not in the ordinary and usual course of its business or set up subsidiaries or enter into any joint ventures (other than for the purpose of the Reorganisation or in connection with the Listing);
- (f) each Group company shall not create or permit to arise any mortgage, charge, lien, pledge, other form of security or Encumbrance or equity of whatsoever nature, whether similar to the foregoing or not, on or in respect of any material part of its undertaking, property or assets other than liens arising by operation of law in its ordinary and usual course of business;
- (g) each Group company shall not extend any loans to any party or declare, pay or make any dividends or other distributions save for dividends declared before the date of the SPA; and
- (h) each Group company shall not effect any amendments to its constitutional documents save where pursuant to the Listing.

The SPA also contains a clause (which will cease to have any effect upon Listing) pursuant to which Medinet International irrevocable and unconditionally guarantees to NSD Capital that the aggregate of the audited consolidated net profits of our Group for the financial years ending 31 March 2016 and 2017 (excluding any extraordinary item which includes, without limitation, any Listing-related expense, and expressed in Hong Kong dollars and agreed or determined as such pursuant to the SPA) shall not be less than a certain number, failing which Medinet International shall pay NSD Capital an amount in cash calculated in accordance with a formula stipulated in the SPA. In accordance with the Stock Exchange's guidance letter HKEx-GL43-12 issued in October 2012 and updated in July 2013, such profit guarantee is a private agreement between Medinet International and NSD Capital and the compensation, if any, would be settled by Medinet International and is not linked to the market price or capitalisation of the Shares.

In addition, pursuant to the SPA, at all times prior to the Listing, on receiving NSD Capital's reasonable request, Medinet International shall (at its cost) give to NSD Capital all information it possesses or to which it has access relating to a Group company's business and allow NSD Capital to copy any document containing that information.

### **Lock-up and public float**

The Shares held by NSD Capital are subject to a lock-up period of six months after the Listing. For further information regarding such lock-up, please refer to the paragraph headed "*Undertakings*" in the section headed "*Underwriting*" in this prospectus. As NSD Capital is expected to hold more than 10% of the total issued share capital of our Company immediately following the completion of the Placing, it will be a Substantial Shareholder of our Company upon Listing and hence all Shares held by NSD Capital will not be counted as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules.

## HISTORY AND DEVELOPMENT

### **Sponsor's confirmation**

The Sponsor has confirmed that the pre-IPO investment mentioned above is in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange and the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange.

**OVERVIEW**

We are principally engaged in the provision of corporate medical and dental solutions to our Contract Customers (which mainly comprise insurance companies and corporations in terms of revenue) through the design and administration of tailored medical and/or dental benefits plans for the Contract Customers and the provision of different combinations of medical and/or dental services through the MediNet Network to the Plan Members (including members and employees of our Contract Customers), as well as the operation of our MediNet Centres and Dental Clinics offering services to both Plan Members and Self-paid Patients (which generally refer to patients who visit our MediNet Centres and/or Dental Clinics and pay out of their own expenses).

As at the Latest Practicable Date, our MediNet Network comprises:

- (i) our two MediNet Centres located in Central and Tsim Sha Tsui respectively which are operated by our Group and at which our MediNet Doctors offer a range of medical services (as further described in the paragraph headed “*Medical and dental services provided through our MediNet Network*” below in this section) to both Plan Members and Self-paid Patients;
- (ii) our five Dental Clinics located in Causeway Bay, Central, Kwun Tong, Mong Kok and Tsim Sha Tsui respectively which are operated by us and at which our Dentists and Dental Hygienists offer a range of dental services (as further described in the paragraph headed “*Medical and dental services provided through our MediNet Network*” below in this section) to both Plan Members and Self-paid Patients;
- (iii) 391 Affiliated Doctors working at 361 Affiliated Clinics across different locations in Hong Kong which are not operated by our Group but which agree to provide various medical services (as further described in the paragraph headed “*Medical and dental services provided through our MediNet Network*” below in this section) to the Plan Members by Affiliated Doctors who charge us for such services provided to the Plan Members; and
- (iv) 62 professionals working at 42 Affiliated Auxiliary Services Providers across different locations in Hong Kong which are not operated by our Group but which agree to provide various auxiliary services (as further described in the paragraph headed “*Medical and dental services provided through our MediNet Network*” below in this section) to the Plan Members and which charge us for such services provided to the Plan Members.

We have an operating history of over 20 years in Hong Kong. As at the Latest Practicable Date, we had ten Dentists and three Dental Hygienists providing dental services at our five Dental Clinics and three MediNet Doctors providing medical services at our two MediNet Centres.

## BUSINESS

Our customers can generally be categorised into Contract Customers and Self-paid Patients. The following table sets forth a breakdown of our revenue during the Track Record Period by the type of services provided and the type of customers:

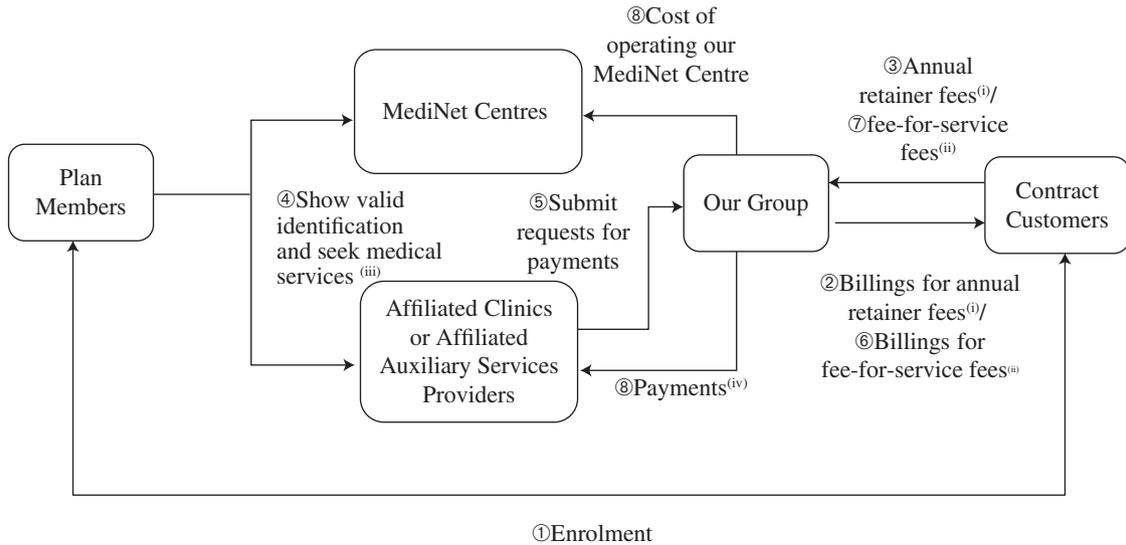
	<b>FY2013/14</b>		<b>FY2014/15</b>		<b>Nine-month period ended 31 December</b>			
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<b>2014</b>		<b>2015</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
Medical solutions to Contract Customers	49,344	63.7	48,313	55.6	34,987	57.9	38,818	57.6
Medical services to Self-paid Patients	9,013	11.6	13,142	15.1	9,200	15.2	10,895	16.2
Dental solutions to Contract Customers	6,431	8.3	7,194	8.3	4,680	7.7	5,441	8.1
Dental services to Self-paid Patients	<u>12,732</u>	<u>16.4</u>	<u>18,284</u>	<u>21.0</u>	<u>11,570</u>	<u>19.2</u>	<u>12,179</u>	<u>18.1</u>
	<u><u>77,520</u></u>	<u><u>100.0</u></u>	<u><u>86,933</u></u>	<u><u>100.0</u></u>	<u><u>60,437</u></u>	<u><u>100.0</u></u>	<u><u>67,333</u></u>	<u><u>100.0</u></u>

Our costs of operations mainly include, among others, (i) fees to Affiliated Doctors and Affiliated Auxiliary Services Providers for services provided by them to Plan Members; (ii) costs of our medical and dental professional staff, including our MediNet Doctors, Dentists, Dental Hygienists and other professional staff working at our MediNet Centres and Dental Clinics; (iii) staff costs for our management, administrative and other back-office staff; (iv) rental expenses for our various leased premises which are used as our head office as well as our MediNet Centres and Dental Clinics; and (v) costs of medical and dental supplies such as drugs and medicine and other consumables for use in the provision of services to both Plan Members and Self-paid Patients at our MediNet Centres and Dental Clinics.

## BUSINESS

The following flowcharts set out the relationship among (i) our Group; (ii) MediNet Doctors and Dentists; (iii) MediNet Centres, Dental Clinics, Affiliated Clinics and Affiliated Auxiliary Services Providers; (iv) Contract Customers; and (v) Plan Members/Self-paid Patients in the following scenarios:

***Scenario (1): Plan Members seeking medical services at MediNet Centres, Affiliated Clinics or Affiliated Auxiliary Services Providers***



*Note i:* For Contract Customers who are charged under the annual retainer model, the fee is generally payable upfront irrespective of whether any Plan Members eventually utilise any medical services (i.e. there is no refund of fees paid by Contract Customers upon expiry of the contracts even if no medical services have been utilised by Plan Members). We may receive the annual fee in lump sum or by quarterly or monthly payments from Contract Customers. Such revenue is recognised on a time proportion basis.

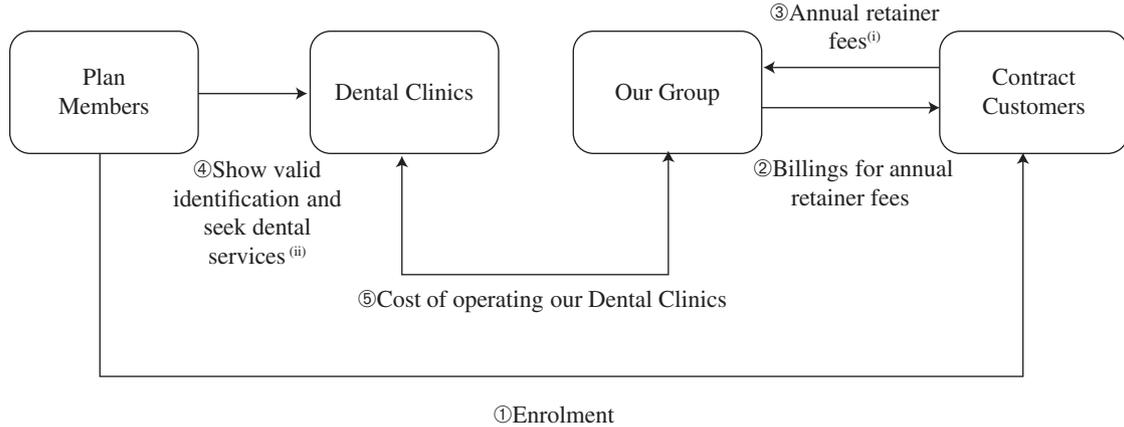
*Note ii:* For Contract Customers who are charged under the fee-for-service model, the fees will be charged and recognised based on a pre-agreed fee rate per medical service provided. We generally bill our Contract Customers on a monthly basis based on the services received by the Plan Members in the preceding month.

*Note iii:* Depending on the respective agreements between us and the Contract Customers, Plan Members are generally entitled to certain types and amount of medical services free of charge or at specified prices with or without co-payments from all or selected Doctors and Affiliated Auxiliary Services Providers across the MediNet Network. For the details of the medical services offered to Plan Members, please refer to the paragraph headed “Medical and dental services provided through our MediNet Network” below in this section.

*Note iv:* Payments refer to fees charged by our Affiliated Clinics or Affiliated Auxiliary Services Providers to us for medical services provided by them to Plan Members.

# BUSINESS

## Scenario (2): Plan Members seeking dental services at our Dental Clinics

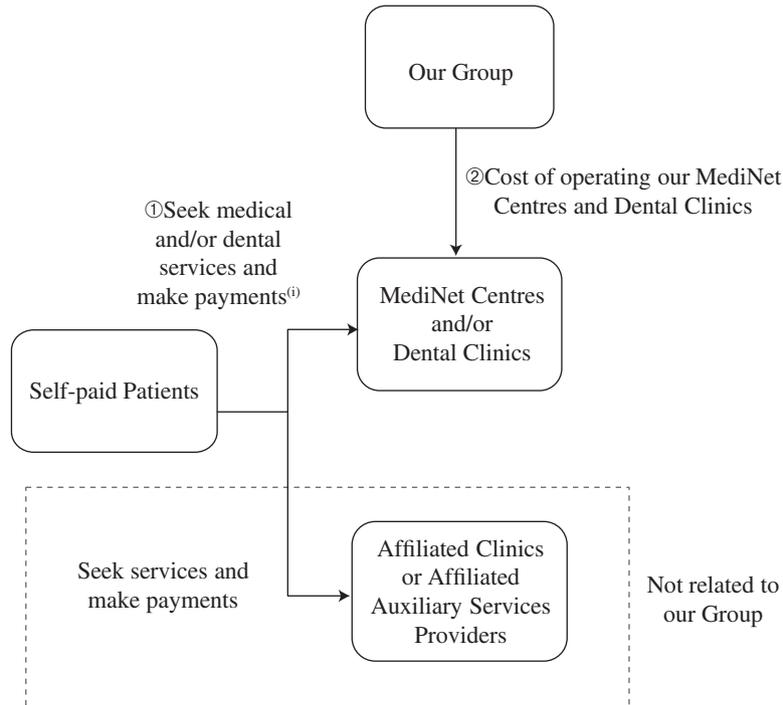


*Note i:* For Contract Customers who are charged under the annual retainer model, the fee is generally payable upfront irrespective of whether any Plan Members eventually utilise any dental services (i.e. there is no refund of fees paid by Contract Customers upon expiry of the contracts even if no dental services have been utilised by Plan Members). We may receive the annual fee in lump sum or by quarterly payments from Contract Customers. Such revenue is recognised on a time proportion basis.

*Note ii:* Depending on the respective agreements between us and the Contract Customers, Plan Members are generally entitled to certain types and amount of dental services free of charge or at specified prices with or without co-payments through our Dental Clinics. For the details of the dental services offered to Plan Members, please refer to the paragraph headed “Medical and dental services provided through our MediNet Network” below in this section.

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### *Scenario (3) Self-paid Patients seeking medical and/or dental services at MediNet Centres, Dental Clinics, Affiliated Clinics or Affiliated Auxiliary Services Providers*



*Note i:* Self-paid Patients generally refer to patients who visit our MediNet Centres and Dental Clinics and who pay out of their own expenses, such as walk-in patients as well as Plan Members who pay a portion or the entire amount of fees incurred for the medical and/or dental services received that do not fall within the scope of the relevant medical and/or dental benefits plans or that require co-payments by the Plan Members.

## MARKET AND COMPETITION

According to the Ipsos Report, there were approximately 16 corporate medical solutions providers in Hong Kong as of 2014. The three largest corporate medical solutions providers in Hong Kong in 2014 together accounted for approximately 75.2% of the total revenue of the Hong Kong corporate medical solutions industry in 2014. Our Group ranked fourth, sharing approximately 2.5% of the total revenue of the provision of corporate medical solutions in Hong Kong.

For further information regarding the competitive landscape of the industry in which we operate, please refer to the section headed “*Industry overview*”.

## **COMPETITIVE STRENGTHS**

We believe that our competitive strengths include:

### **1. Well-established presence in the corporate medical solutions industry in Hong Kong and well-established MediNet Network**

We have an operating history of over 20 years in Hong Kong. As at the Latest Practicable Date, the MediNet Network had more than 400 points of services across Hong Kong, including our MediNet Centres and Dental Clinics as well as the Affiliated Clinics and Affiliated Auxiliary Services Providers at which a range of medical and dental services are provided by the Doctors, Dentists, Dental Hygienists, Affiliated Auxiliary Services Providers and other medical and dental professionals, which include, among others, 304 general practitioners, 87 specialists covering 17 different specialties, ten Dentists, three Dental Hygienists and 62 Affiliated Auxiliary Services Providers.

Throughout our operating history, we believe, as supported by the Ipsos Report, that we have established a strong presence in the corporate medical solutions industry in Hong Kong. As stated in the Ipsos Report, we are one of the major corporate medical solutions providers in Hong Kong engaged in the design and administration of tailored medical benefits plans for Contract Customers comprising mainly insurance companies and corporations. The Ipsos Report also stated that insurance companies in Hong Kong usually enter into contracts with several major corporate medical solutions providers (such as our Group) at the same time, while corporations with sufficiently large size and number of employees usually directly approach and engage major corporate medical solutions providers such as our Group. As such, our well-established presence in the corporate medical solutions industry in Hong Kong may give us an advantage in terms of maintaining existing Contract Customers and securing new business opportunities and it is crucial to the day-to-day business operations and future business development of our Group.

### **2. Long-term rapport with major customers and suppliers**

Our Group has long-standing business relationship with our major customers and suppliers. Our length of relationship with our top 5 customers for the Track Record Period, which include Contract Customers that are insurance companies and corporations, ranges from approximately 4 to 20 years, while that with our top 5 suppliers for the Track Record Period, which include the Affiliated Doctors and Affiliated Auxiliary Services Providers, ranges from approximately 3 to 21 years. Our Directors believe that our Group has developed close relationship with our major customers and suppliers over the years. Based on the close relationship with our customers, our Group is able to satisfy customers' needs and to design tailor-made medical and/or dental benefits plans for our Contract Customers. In addition, our Group has also built up a long-standing business relationship with major suppliers, including Affiliated Doctors and Affiliated Auxiliary Services Providers. Our Directors believe a strong relationship with experienced suppliers is a strength and edge in maintaining our Group's service quality.

Our Directors believe that our Group can leverage on our existing relationship with major customers and major suppliers to further develop new business opportunities while controlling our Group's costs through favourable terms.

### **3. Experienced and dedicated management team**

Our Group has an experienced management team in the medical and dental services industry. Our Group is led by our Chairman and founder, Mr. Chan, who has over 30 years of experience in the corporate medical and dental solutions industry and has been fundamental to the development of our Group since our establishment. In addition, our senior management team includes Ms. Li Christine (our assistant general manager), Ms. Ngan Pui Shan, Jane (our financial controller), Mr. Wong Siu Kay (our Dentist and a director of Well Being Dental), and Ms. Chung Mei Shu, Pinky (our Dentist and a director of Well Being Dental), each having joined our Group for more than 18 years and accumulated extensive experience in the business development and day-to-day operation of our Group. For further information regarding the background and experience of our Directors and senior management team, please refer to the section “*Directors and senior management*” in this prospectus.

Our Directors believe that based on the experience of our management team and their in-depth knowledge of the industry and the customers’ needs, our Group is able to deliver quality and satisfactory services to our customers, which is essential to our success and future development.

## **BUSINESS STRATEGIES**

Our principal business objective is to further strengthen our position as an established service provider in the medical and dental industry in Hong Kong. We intend to achieve our business objective by pursuing the following key strategies:

### **1. Expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui**

As at the Latest Practicable Date, we operate two MediNet Centres located in Central and Tsim Sha Tsui and five Dental Clinics located in Causeway Bay, Central, Kwun Tong, Mong Kok and Tsim Sha Tsui respectively. In order to better serve our Contract Customers, Plan Members and Self-paid Patients and to capitalise on the potential business opportunities arising from the continued demand for medical and dental services in Hong Kong, we are constantly seeking suitable and strategic locations for relocating and expanding our existing MediNet Centres and Dental Clinics for better service quality and capacity. Our Directors currently intend to identify, assess and lease suitable and larger premises in Central and Tsim Sha Tsui for relocating our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui respectively.

We consider that the expertise and contribution of our professional team of MediNet Doctors, Dentists, Dental Hygienists and other medical and dental professional staff is crucial to our continuing success. All of our MediNet Doctors, Dentists and Dental Hygienists possess appropriate qualifications and years of practicing experience in the medical and dental sector respectively. In order to cope with our business development and our planned investment for the expansion of our operation of MediNet Centre and Dental Clinic in Central and Dental Clinic in Tsim Sha Tsui as mentioned above and also to continuously enhance our quality services to our customers, we intend to identify and recruit additional qualified and skilled personnel to join our team of professional MediNet Doctors, Dentists, Dental Hygienists and other medical and dental professional staff.

## **2. Purchase a property for our operation of Dental Clinic in Causeway Bay**

During the Track Record Period, we leased a number of properties in Hong Kong for use as our head office as well as for our MediNet Centres and Dental Clinics operations. Rental expense has been one of our major cost components during the Track Record Period. Our Directors consider that it would be in our best interest to purchase a property in Causeway Bay for relocating our current Dental Clinic in Causeway Bay because this could: (i) mitigate the risk of possible substantial increases in rental expenses in Causeway Bay which is a popular shopping and commercial district in Hong Kong and is, in the opinion of our Directors, susceptible to substantial increases in rental expenses; (ii) mitigate the risk of early termination or non-renewal of our lease by the relevant landlord; (iii) in the opinion of our Directors, have a potential positive effect on customers' confidence in us; and (iv) ensure the continuity of the operation of our Dental Clinic in the district of Causeway Bay which is, in the opinion of our Directors, strategic to the future development of our business of provision of dental solutions to Contract Customers and dental services to Self-paid Patients.

We plan to acquire a property in the vicinity of our current Dental Clinic in Causeway Bay with floor area between 1,000 sq.ft. and 1,500 sq.ft., depending on the exact location, the overall suitability and the purchase cost. Nevertheless, as at the Latest Practicable Date, we had not yet identified any potential acquisition target. We will not make the acquisition from any connected persons.

In connection with our aforesaid plan, the total capital expenditure is estimated to be approximately HK\$34.2 million, which comprise (i) the full purchase price of the property estimated to be approximately HK\$30.0 million; (ii) stamp duty and other professional fees payable estimated to be approximately HK\$3.2 million; and (iii) refurbishment and other expenses estimated to be approximately HK\$1.0 million.

The current lease of our Dental Clinic in Causeway Bay will expire in December 2016. Having considered the expected amount of time required for identifying suitable property, negotiating the terms of the purchase, and carrying out the renovation and relocation works, as well as the expected timing of receiving the proceeds from the Placing, our Directors currently plan to renew the current lease of the Causeway Bay Dental Clinic for one additional year upon expiry in December 2016 in order to allow us sufficient time for the aforesaid works. We plan to complete the purchase of property during the first half of the financial year commencing 1 April 2017 and complete the relocation in the second half of the financial year. We plan to finance all such expenditure by the proceeds from the Placing.

## **3. Expand our MediNet Network**

In order to further enhance the attractiveness of our services for Contract Customers and Plan Members and to further strengthen our competitive edge, we intend to increase the number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network and to broaden the range of auxiliary services coverage under the relevant corporate medical benefits plans for our Contract Customers. By increasing the number of Affiliated Clinics, we will be able to offer more choices and make our services more accessible to the Plan Members. By expanding our coverage of auxiliary services through the addition of services such as vision care and optometry and nutrition and dietary services to be offered by potential new Affiliated Auxiliary

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Services Providers, we will be able to provide more comprehensive medical benefits plans to our Contract Customers. We believe that the expansion of the range of auxiliary services and points of services in our MediNet Network will further strengthen our Group's ability to be a comprehensive corporate medical solutions provider in Hong Kong.

As at the Latest Practicable Date, save for our plan to acquire a property in Causeway Bay (for which we had not yet identified any potential acquisition target as at the Latest Practicable Date) as discussed above, we did not have any acquisition plan and had not identified any target for acquisition.

For further details on the implementation of the above-mentioned business strategies, please refer to the section "*Future plans and use of proceeds*".

### MEDICAL SOLUTIONS TO CONTRACT CUSTOMERS

Our Group mainly provides corporate medical solutions to our Contract Customers through the design and administration of tailored medical benefits plans for our Contract Customers and the provision of different combinations of medical services through our MediNet Network to the Plan Members. The purpose of our Group's medical benefits plans is to provide convenient, reliable, coordinated, comprehensive and affordable medical services through the well-established and multi-specialties MediNet Network. For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our revenue derived from the provision of medical solutions to our Contract Customers accounted for approximately 63.7%, 55.6% and 57.6% of our Group's total revenue respectively.

We mainly provide corporate medical solutions to two types of Contract Customers, namely, insurance companies and corporations. When designing medical benefits plan, our Group collaborates with the Contract Customers and develops medical benefit plans which suit their unique needs based on factors such as the scope of medical benefits desired by the Contract Customers and their budgets. For further information regarding our customers, please refer to the paragraph headed "*Customers*" below in this section.

The medical benefits plans that we design and administer for Contract Customers typically cover the provision of different combinations of medical services such as general practice services, specialist services (covering up to 17 specialties) and various auxiliary services (such as physiotherapy, traditional Chinese medicine, health assessment and diagnostic X-ray and laboratory test), depending on the scope of medical benefits as agreed with our Contract Customers under the corporate medical benefits plans. For further details of the medical services provided to the Plan Members, please refer to the paragraph headed "*Medical and dental services provided through our MediNet Network*" below in this section.

Depending on the scope of medical benefits as agreed with our Contract Customers under the corporate medical benefits plans, different Plan Members may have access to different combinations of medical services and auxiliary services offered by the Doctors and Affiliated Auxiliary Services Providers across the MediNet Network in Hong Kong either free of charge or at specified prices with or without co-payments, and may choose to visit all or selected Doctors and Auxiliary Services Providers in the MediNet Network for their treatment. Under certain corporate medical benefits plans administered by us for certain Contract Customers, we have also agreed to reimburse the relevant Plan Members for a portion of the fees (subject to certain maximum limit per visit per year) paid for certain types of medical services received by the Plan Members at clinics of their own choosing that are outside of our MediNet

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Network. Please refer to the paragraph headed “*Operation flow for corporate medical and dental solutions business — Administering the medical/dental benefits plan*” in this section for further details with respect to the aforesaid reimbursement arrangement.

Our administration services to Contract Customers mainly include (i) the design of tailor-made corporate medical solutions to our Contract Customers based on factors such as the scope of medical benefits desired as well as the budget; and (ii) the administration and coordination works for Contract Customers, Affiliated Doctors and Affiliated Auxiliary Services Providers such as managing and updating the information in relation to the Plan Members and the coverage of the medical benefit plans of Plan Members, updating and informing Contract Customers of any changes in the MediNet Network, and responding to enquiries from Contract Customers, Affiliated Doctors and Affiliated Auxiliary Services Providers.

Generally, our Group has two types of pricing models for the provision of medical solutions to our Contract Customers, namely, annual retainer and fee-for-service:

- (1) ***Annual retainer model.*** Under the annual retainer model, our Contract Customers would generally pay us a fixed amount of annual fee per Plan Member. Such fee is generally payable upfront, with regular adjustments to the fee based on any changes in the number of Plan Members enrolled. In return, each Plan Member would generally be entitled to certain amount of medical services free of charge or at specified prices with or without co-payments during the year from all or selected Doctors and Affiliated Auxiliary Services Providers across the MediNet Network. The annual fee is determined on a case-by-case basis. Our pricing under the annual retainer model is generally determined based on our estimation of the costs that will be incurred by us having regard to a number of factors including (i) the scope of medical services covered by the corporate medical benefits plans; (ii) the number of points of services within our MediNet Network to which the Plan Members are entitled to have access; (iii) the amount of co-payment, if any, agreed to be borne by the Plan Members; and (iv) the actual data retained by us in respect of the historical usage of medical services by different Plan Members through our MediNet Network.
- (2) ***Fee-for-service model.*** Under the fee-for-service model, we would generally charge our Contract Customers only when a Plan Member receives medical service through our MediNet Network. The amount that we charge our Contract Customers is generally determined based on a fee scale pre-agreed between us and the Contract Customers for each type of medical service to which the Plan Members are entitled. Such fee scale is generally determined having regard to factors such as (i) the scope of medical services covered by the medical benefits plans; (ii) the number of points of services within our MediNet Network to which the Plan Members are entitled to have access; and (iii) the amount of co-payment, if any, agreed to be borne by the Plan Members. Under the fee-for-service model, we generally bill our Contract Customers on a monthly basis based on the services received by the Plan Members in the preceding month.

An annual retainer model means that we will enjoy a fixed income (i.e. the fixed amount of annual fee per Plan Member) but face the risk of an uncertain variable cost (which depends on the future usage of medical services by the Plan Members through our MediNet Network during the following year). For further information in relation to such risk, please refer to the section “*Risk factors — Annual retainer*”

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contracts entered into between us and certain Contract Customers expose us to the risk of uncertain or even negative profit margin due to uncertain variable costs” in this prospectus. Our Directors consider that such risk has been adequately and satisfactorily mitigated by allowing for a sufficient margin when determining our pricing based on years of data retained by us in respect of the historical actual usage of medical services by different Plan Members through our MediNet Network. In addition, our Directors consider that any decrease in profits from annual retainer contracts can be partially or wholly offset by increase in profits from fee-for-service contracts because, during seasons (such as winter influenza seasons which traditionally tend to arrive between January and March and summer influenza seasons which tend to arrive between July and August according to the Centre for Health Protection of the Department of Health of the Government) when we typically experience a higher amount of usage of medical services by Plan Members, we would record lower profits from our annual retainer contracts as we would incur more costs but our income is fixed under such pricing model, but at the same time, we would record higher profits from our fee-for-service contracts as both our income and costs (and thus profits) would increase under such pricing model along with an increase in usage of medical services by Plan Members. During the Track Record Period, we did not experience any loss-making medical solutions contracts under the annual retainer model.

The following table sets out a breakdown of our revenue derived from our provision of medical solutions to Contract Customers during the Track Record Period by pricing models:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
					HK\$'000	%	HK\$'000	%
	(unaudited)							
<b>Medical solutions</b>								
— Annual retainer model	13,826	28.0	13,348	27.6	8,822	25.2	13,558	34.9
— Fee-for-service model	<u>35,518</u>	<u>72.0</u>	<u>34,965</u>	<u>72.4</u>	<u>26,165</u>	<u>74.8</u>	<u>25,260</u>	<u>65.1</u>
Total	<u>49,344</u>	<u>100.0</u>	<u>48,313</u>	<u>100.0</u>	<u>34,987</u>	<u>100.0</u>	<u>38,818</u>	<u>100.0</u>

The table below sets out the number of Contract Customers with revenue contribution to us during the respective year or period in relation to our provision of medical solutions during the Track Record Period:

	FY2013/14	FY2014/15	Nine-month period ended	
			31 December 2014	2015
<b>Number of Contract Customers for medical solutions</b>				
— Annual retainer model	13	12	10	12
— Fee-for-service model	<u>88</u>	<u>99</u>	<u>98</u>	<u>101</u>
Total (Note)	<u>97</u>	<u>107</u>	<u>102</u>	<u>106</u>

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*Note:* The number of Contract Customers in each category does not add up to the total number because some of our Contract Customers had contracts with us that were charged under both models and were therefore included in both categories.

During the Track Record Period, the retention rates of existing Contract Customers for medical solutions was 99.0%, 91.6% and 93.4% for FY2014/15, FY2015/16 and the nine-month period ended 31 December 2015, respectively.

### DENTAL SOLUTIONS TO CONTRACT CUSTOMERS

Similar to the provision of corporate medical solutions to Contract Customers as mentioned in the paragraph headed “*Medical solutions to Contract Customers*” above, we also provide corporate dental solutions to Contract Customers through the design and administration of tailored dental benefits plans for our Contract Customers and the provision of different combinations of dental services to the Plan Members through our Dental Clinics operated by us. For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our revenue derived from the provision of dental solutions to our Contract Customers accounted for approximately 8.3%, 8.3% and 8.1% of our Group’s total revenue respectively.

There are three main types of Contract Customers for our dental solutions services, namely, insurance companies, corporations and individuals. When designing dental benefits plan, our Group collaborates with the Contract Customers and develops dental benefits plans which suit their unique needs based on factors such as the scope of dental benefits desired by the Contract Customers and their budgets. For further information regarding our customers, please refer to the paragraph headed “*Customers*” below in this section.

The dental benefits plans that we design and administer for Contract Customers typically cover the provision of various combinations of dental services such as scaling and polishing, filings, routine oral examination and oral hygiene instruction. For further details of the dental services provided to the Plan Members, please refer to the paragraph headed “*Medical and dental services provided through our MediNet Network*” below in this section.

Depending on the scope of dental benefits as agreed with our Contract Customers under the corporate dental benefits plans, different Plan Members may have access to different combinations of dental services either free of charge or at specified prices with or without co-payments, and typically have access to all of our Dental Clinics for dental services.

In general, we charge our Contract Customers for the provision of dental solutions based on the annual retainer model where our Contract Customers would generally pay us a fixed amount of annual fee per Plan Member (or, where the Contract Customer is an individual, a fixed amount of annual fee for the individual himself/herself), and in return, each Plan Member (or, where the Contract Customer is an individual, such individual himself/herself) would generally be entitled to certain amount of dental services free of charge or at specified prices with or without co-payments during the year through our Dental Clinics. Our pricing is generally determined based on our estimation of the costs that will be incurred by us having regard to a number of factors including (i) the scope of dental services covered by the corporate dental benefits plans; (ii) the amount of co-payment, if any, agreed to be borne by the Plan Members; and (iii) the actual data retained by us in respect of the historical usage of dental services by different Plan Members at our Dental Clinics.

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An annual retainer model means that we will enjoy a fixed income (i.e. the fixed amount of annual fee per Plan Member) but face the risk of an uncertain variable cost (which depends on the future usage of dental services by the Plan Members at our Dental Clinics during the following year). For further information in relation to such risk, please refer to the section “*Risk factors — Annual retainer contracts entered into between us and certain Contract Customers expose us to the risk of uncertain or even negative profit margin due to uncertain variable costs*” in this prospectus. Our Directors consider that such risk has been adequately and satisfactorily mitigated by allowing for a sufficient margin when determining our pricing based on years of data retained by us in respect of the historical actual usage of dental services by different Plan Members at our Dental Clinics. During the Track Record Period, we did not experience any loss-making dental solutions contracts under the annual retainer model.

The following table sets out a breakdown of our revenue derived from our provision of dental solutions to Contract Customers during the Track Record Period by type of Contract Customers:

	<b>FY2013/14</b>		<b>FY2014/15</b>		<b>Nine-month period ended 31 December</b>			
					<b>2014</b>		<b>2015</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
<b>Dental solutions</b>								
— Corporations and insurance companies	3,857	60.0	4,644	64.6	2,725	58.2	3,386	62.2
— Individuals	<u>2,574</u>	<u>40.0</u>	<u>2,550</u>	<u>35.4</u>	<u>1,955</u>	<u>41.8</u>	<u>2,055</u>	<u>37.8</u>
Total	<u>6,431</u>	<u>100.0</u>	<u>7,194</u>	<u>100.0</u>	<u>4,680</u>	<u>100.0</u>	<u>5,441</u>	<u>100.0</u>

The table below sets out the number of Contract Customers with revenue contribution to us during the respective year/period in relation to our provision of dental solutions during the Track Record Period:

	<b>Nine-month period ended</b>			
	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>2014</b>	<b>2015</b>
<b>Number of Contract Customers for dental solutions</b>				
— Corporations and insurance companies	102	102	95	115
— Individuals	<u>5,832</u>	<u>5,753</u>	<u>5,895</u>	<u>5,960</u>
Total	<u>5,934</u>	<u>5,855</u>	<u>5,990</u>	<u>6,075</u>

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### MEDICAL SERVICES TO SELF-PAID PATIENTS

As at the Latest Practicable Date, we operate two MediNet Centres located in Central and Tsim Sha Tsui respectively, at which our MediNet Doctors offer a range of medical services to both Plan Members (subject to the coverage of different medical benefits plans) and Self-Paid Patients (which, in relation to medical services, generally refer to patients who visit our MediNet Centres and who pay out of their own expenses, such as walk-in patients as well as Plan Members who pay for a portion or the entire amount of fees incurred for the medical services received that do not fall within the scope of the relevant medical benefits plans or that require co-payment).

The types of medical services offered at our MediNet Centres by our MediNet Doctors to Self-paid Patients include general practitioner consultation services, immunization services, health assessment such as body check and female check-up services, as well as men's health treatments. For further details, please refer to the paragraph headed "*Medical and dental services provided through our MediNet Network*" below in this section.

We make use of the name "*MediNet Health Centres*" for the general operation of our MediNet Centres, together with the names "*Men's Health Solutions Center*" and "*mhs*" (short for Men's Health Solutions) for the men's health treatments services, as well as "*Carrie Women's Health Centre*" (a business name registered under the business registration of MediNet Health Centre) for the female check-up and related healthcare services.

Our MediNet Centres are strategically located in the business district of Central and the popular shopping district of Tsim Sha Tsui. Our Directors consider that these locations are convenient and easily accessible by our customers as both are close to most forms of public transport. As at the Latest Practicable Date, there are three MediNet Doctors offering medical services at our two MediNet Centres, each being a Registered Medical Practitioner having accumulated more than 16 years of medical practicing experience for providing professional medical services. For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our revenue derived from the provision of medical services at our MediNet Centres to Self-paid Patients accounted for approximately 11.6%, 15.1% and 16.2% of our Group's total revenue respectively.

The following table sets forth a breakdown of our revenue derived from the provision of medical services to Self-paid Patients by our two MediNet Centres during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
					HK\$'000	%	HK\$'000	%
	(unaudited)							
<b>MediNet Centres</b>								
Central	1,229	13.6	2,230	17.0	1,687	18.3	2,017	18.5
Tsim Sha Tsui	<u>7,784</u>	<u>86.4</u>	<u>10,912</u>	<u>83.0</u>	<u>7,513</u>	<u>81.7</u>	<u>8,878</u>	<u>81.5</u>
Total	<u><u>9,013</u></u>	<u><u>100.0</u></u>	<u><u>13,142</u></u>	<u><u>100.0</u></u>	<u><u>9,200</u></u>	<u><u>100.0</u></u>	<u><u>10,895</u></u>	<u><u>100.0</u></u>

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The following table sets forth a breakdown of our revenue derived from the provision of different types of medical services to Self-paid Patients at our MediNet Centres during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
					2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
(unaudited)								
<b>Medical services to Self-paid Patients</b>								
General practice and other								
auxiliary services	3,188	35.4	3,607	27.4	2,459	26.7	3,666	33.6
Men's health treatments	5,825	64.6	9,535	72.6	6,741	73.3	7,229	66.4
Total	9,013	100.0	13,142	100.0	9,200	100.0	10,895	100.0

### DENTAL SERVICES TO SELF-PAID PATIENTS

As at the Latest Practicable Date, we operate five Dental Clinics located in Causeway Bay, Central, Kwun Tong, Mong Kok and Tsim Sha Tsui respectively, at which our Dentists and Dental Hygienists offer a range of dental services to both Plan Members (subject to the coverage of different dental benefits plans) and Self-Paid Patients (which, in relation to dental services, generally refer to patients who visit our Dental Clinics and who pay out of their own expenses, such as walk-in patients as well as Plan Members who pay for a portion or the entire amount of fees incurred for the dental services received that do not fall within the scope of the relevant dental benefits plans or that require co-payment). We make use of the name "*Well Being Dental Services*" for the general operation of our Dental Clinics.

The types of dental services offered at our Dental Clinics to Self-paid Patients generally include primary dental care, which refers to treatments and care for basic needs in dental health, as well as secondary dental care, which refers to therapeutic and dental cosmetic care and treatments. For further details, please refer to the paragraph headed "*Medical and dental services provided through our MediNet Network*" below in this section.

Our Dental Clinics are strategically located in the business and/or shopping districts of Causeway Bay, Central, Kwun Tong, Mong Kok and Tsim Sha Tsui. Our Directors consider that these locations are easily accessible by our customers as they are close to most forms of public transport. As at the Latest Practicable Date, there are ten Dentists who are Registered Dental Practitioners offering dental services at our Dental Clinics, as well as three Dental Hygienists offering scaling and polishing services at our Dental Clinics. In addition, we may from time to time engage external dentists (who are Registered Dental Practitioners not directly employed by us) to perform certain secondary dental care treatments at our Dental Clinics depending on the expertise required for the relevant dental treatments. For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our revenue derived from dental services provided at our Dental Clinics to the Self-paid Patients accounted for approximately 16.4%, 21.0% and 18.1% of our Group's total revenue respectively.

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The following table sets forth a breakdown of our revenue derived from the provision of dental services to Self-Paid Patients by our five Dental Clinics during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
					(unaudited)			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Dental Clinics</b>								
Central	3,365	26.4	4,950	27.1	3,438	29.7	3,348	27.5
Tsim Sha Tsui	3,781	29.7	5,584	30.5	3,240	28.0	3,781	31.0
Causeway Bay	3,138	24.7	4,784	26.2	2,694	23.3	2,717	22.3
Mong Kok	1,110	8.7	1,212	6.6	917	7.9	896	7.4
Kwun Tong	1,338	10.5	1,754	9.6	1,281	11.1	1,437	11.8
<b>Total</b>	<b>12,732</b>	<b>100.0</b>	<b>18,284</b>	<b>100.0</b>	<b>11,570</b>	<b>100.0</b>	<b>12,179</b>	<b>100.0</b>

### MEDICAL AND DENTAL SERVICES PROVIDED THROUGH OUR MEDINET NETWORK

#### Our MediNet Network

As at the Latest Practicable Date, our MediNet Network comprises:

- (i) our two MediNet Centres located in Central and Tsim Sha Tsui respectively which are operated by our Group and at which our MediNet Doctors offer a range of medical services, including general practitioner consultation services, immunization services, health assessment services and men's health treatments (as further described below), to both Plan Members and Self-paid Patients;



*Our MediNet Centre in Central*



*Our MediNet Centre in Tsim Sha Tsui*

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- (ii) our five Dental Clinics located in Causeway Bay, Central, Kwun Tong, Mong Kok and Tsim Sha Tsui respectively which are operated by us and at which our Dentists and Dental Hygienists offer a range of dental services (as further described below) to both Plan Members and Self-paid Patients;



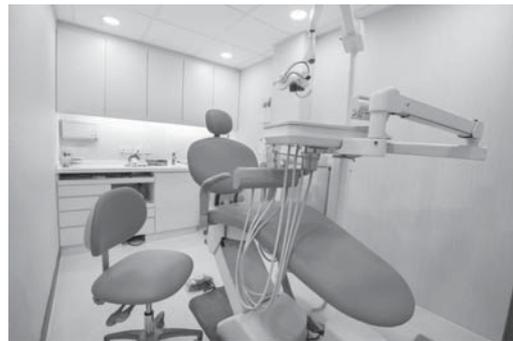
*Our Dental Clinic in Causeway Bay*



*Our Dental Clinic in Central*



*Our Dental Clinic in Kwun Tong*



*Our Dental Clinic in Mong Kok*



*Our Dental Clinic in Tsim Sha Tsui*

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- (iii) 391 Affiliated Doctors working at 361 Affiliated Clinics across different locations in Hong Kong which are not operated by our Group but which agree to provide various medical services, including general practitioner consultation services, specialist services, and other auxiliary services (as further described below), to the Plan Members by Affiliated Doctors who charge us for such services provided to the Plan Members; and
- (iv) 62 professionals working at 42 Affiliated Auxiliary Services Providers across different locations in Hong Kong which are not operated by our Group but which agree to provide various auxiliary services, including physiotherapy, traditional Chinese medicine, health assessment, diagnostic X-ray and laboratory tests (as further described below), to the Plan Members and which charge us for such services provided to the Plan Members.

### Medical services

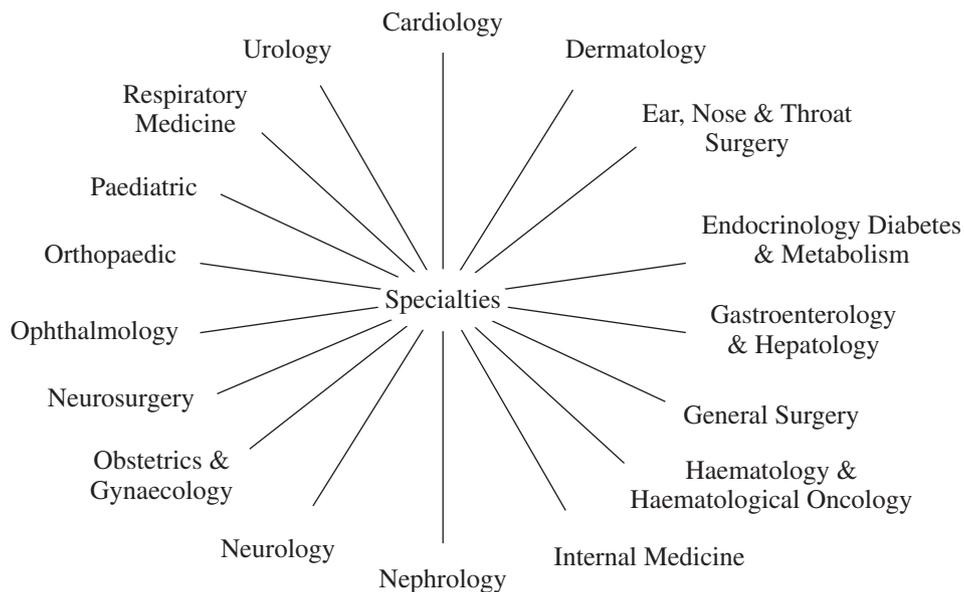
#### (a) *General practitioner consultation services*

General practitioners are often the first point of contact for patients. General practitioners provide patients with an initial diagnosis and treatment and, if necessary, referral services to appropriate specialists and/or auxiliary services providers.

As at the Latest Practicable Date, general practitioner consultation services are offered at our two MediNet Centres to both Plan Members and Self-paid Patients, and offered by 304 general practitioners at Affiliated Clinics to Plan Members.

#### (b) *Specialist services*

As at the Latest Practicable Date, there are 87 specialists offering specialist services to Plan Members at Affiliated Clinics, covering the following 17 specialties:



As at the Latest Practicable Date, our two MediNet Centres do not offer specialist services.

**(c) *Men's health treatments***

Men's health treatments are offered at our two MediNet Centres by some of our MediNet Doctors to Self-paid Patients only. During the Track Record Period and up to the Latest Practicable Date, the coverage under the medical benefits plans administered by us for our Contract Customers do not include men's health treatments for Plan Members.

The scope of men's health treatments include sexual dysfunction evaluation and treatments, sexually transmitted diseases diagnosis and treatments, and genetic tests.

During FY2013/14, we have temporarily closed down part of our Tsim Sha Tsui MediNet Centre for approximately two months for renovation such that, among other things, a designated separate area has been set up for our men's health treatments services after the renovation for higher privacy and comfort for our Self-paid Patients seeking men's health treatments at our MediNet Centre in Tsim Sha Tsui.

**(d) *Other auxiliary services***

Under our MediNet Network, our Affiliated Auxiliary Services Providers offer a range of auxiliary services to Plan Members as set out below. Certain auxiliary services, including immunization services and health assessment, are also offered at our MediNet Centres to Plan Members and Self-paid Patients.

**(i) *Physiotherapy***

Physiotherapists provide therapeutic treatments for patients whose mobility and functions are affected by injury, illness or disability. Physiotherapy services provided by certain Affiliated Auxiliary Services Providers under our MediNet Network to Plan Members include treatments for chronic overuse and degenerative changes, neurological rehabilitation, exercise rehabilitation and functional training, postural assessments, running assessment, etc.

**(ii) *Traditional Chinese medicine***

Traditional Chinese medicine is offered by qualified practitioners of certain Affiliated Auxiliary Services Providers under our MediNet Network to Plan Members. Such services include general consultation, herbal granule dispensing, acupuncture, bone setting, tianjiu treatment, etc.

**(iii) *Health assessment***

A range of health assessment services is provided at our MediNet Centres (in collaboration with certain external service providers for certain imaging and testing services as we do not possess the relevant imaging and testing equipment at our MediNet Centres) to Plan Members and Self-paid Patients, and at certain Affiliated Auxiliary Services Providers under our MediNet Network to Plan Members. Such health assessment services include basic medical questionnaire, physical examination, hematological tests, diabetes screening, renal function test, gout screening, liver function test, coronary risk lipid profile, thyroid function test, hepatitis screening, serology, cardiac function test, female check-up and related healthcare services, pre-marital screening, vaccinations and immunization services, etc.

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(iv) *Diagnostic X-ray and laboratory tests*

Diagnostic X-ray and laboratory tests are offered by certain Affiliated Auxiliary Services Providers under our MediNet Network to Plan Members. Such services include X-ray imaging, mammography, ultrasound, electrocardiography, blood test, urine test, stool test, microbiology, etc.

### **Dental services**

A range of dental services are offered to Plan Members and Self-paid Patients at our Dental Clinics. Such dental services generally comprise:

- primary dental care, which refers to primary treatments and care for basic needs in dental health with an emphasis on dental health maintenance, including scaling and polishing, fillings, intra-oral X rays, routine oral examination, education and preventive advice; and
- secondary dental care, which covers both therapeutic and dental cosmetic care, including teeth restoration, dentures, oral surgery, orthodontics, implants and teeth whitening.

During the Track Record Period and up to the Latest Practicable Date, the coverage under the dental benefits plans administered by us for our Contract Customers generally do not include secondary dental care services for Plan Members.

Other than our Dentists and Dental Hygienists, we may from time to time engage external dentists to perform certain secondary dental care treatments at our Dental Clinics depending on the expertise required for the relevant dental treatments.

During the Track Record Period and up to the Latest Practicable Date, other than our Dentists, Dental Hygienists and certain external dentists engaged by us who provide dental services at our Dental Clinics, we have not entered into any agreements with third parties for the provision of dental services to Plan Members or Self-paid Patients.

The dental services provided at our Dental Clinics involve the use of certain dental equipment including certain irradiating apparatuses (such as for use in dental radiographs and X-ray imaging) and pressure vessels (such as for producing dental compressed air and for pressurized sterilization of dental equipment) which are owned by Well Being Dental and are equipped at our Dental Clinics. The possession and operation of such irradiating apparatuses and pressure vessels are regulated under the Radiation Ordinance (Chapter 303 of the Laws of Hong Kong) and the Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong) respectively. For details, please refer to the section headed “*Regulatory overview*” in this prospectus as well as the paragraph headed “*Licences and permits*” below in this section. The dental equipment currently installed at our Dental Clinics have been in use for approximately 3 to 11 years up to the Latest Practicable Date. We continuously monitor their operating conditions and conduct regular examinations on such equipment as required by laws, based on which we make replacement and/or repair and maintenance decisions on an ongoing basis. For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our additions of dental equipment amounted to approximately HK\$70,000, HK\$116,000 and HK\$128,000 respectively, and we incurred repair and maintenance expenses for dental equipment of approximately HK\$189,000, HK\$216,000 and HK\$126,000 respectively.

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### **Establishing our own MediNet Centres and Dental Clinics versus employing the services of Affiliated Clinics and Affiliated Auxiliary Services Providers**

#### *Medical services*

We determine whether we shall establish our own MediNet Centres or employ the services of Affiliated Clinics and Affiliated Auxiliary Services Providers by taking into account various factors including but not limited to our operational needs and our available financial resources, with particular regard to the following:

- (a) the advantages of establishing our own MediNet Centres, which include, among other things:
  - (i) the opportunity to increase the recognition of the “MediNet” brand and enhance the overall image of our Group;
  - (ii) the ability to attract and serve Self-paid Patients with the aim of generating more revenue from the provision of medical services to Self-paid Patients; and
  - (iii) the ability to have full and direct control of the operation of our own MediNet Centres;
- (b) the disadvantages of establishing our own MediNet Centres, which include, among other things:
  - (i) the need for a substantial amount of investment costs for rental deposits, renovation, and working capital needs upon start-up for staff costs and for the purchase of various medical supplies;
  - (ii) the uncertainty in respect of the profitability of the MediNet Centres after establishment; and
  - (iii) the need to compete with existing medical clinics in the intended area for establishing our own MediNet Centres;
- (c) the advantages of employing the services of an Affiliated Clinic or Affiliated Auxiliary Services Provider, which include, among other things:
  - (i) the ability to quickly increase the geographical coverage of our MediNet Network;
  - (ii) the ability to quickly increase the overall scope of medical services and facilities offered to Plan Members;
  - (iii) the fact that there are no start-up or operating costs required for employing an Affiliated Clinic or Affiliated Auxiliary Services Provider, whereas establishing our own MediNet Centres requires substantial start-up and operating costs; and
  - (iv) the ability to quickly replace an Affiliated Clinic or an Affiliated Auxiliary Services Provider where necessary by employing other clinics or auxiliary services providers in the same district rather than establishing our own MediNet Centres;

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- (d) the disadvantages of employing an Affiliated Clinic or Affiliated Auxiliary Services Provider, which include, among other things:
  - (i) the lack of full and direct control of the operation of the Affiliated Clinics and Affiliated Auxiliary Services Providers; and
  - (ii) the need to deal with a large number of different Affiliated Clinics and Affiliated Auxiliary Services Providers on matters such as scope of services, fee scales, payments, verification of Plan Members, etc.

Having considered the advantages and disadvantages of establishing our own MediNet Centres and employing the services of Affiliated Clinics and Affiliated Auxiliary Services Providers as stated above, we would decide whether it is cost effective to achieve our principal business objective, which is to further strengthen our position as an established service provider in the medical industry and dental industry in Hong Kong. Our business strategies include to expand the operation of our MediNet Centre in Central and to expand our MediNet Network which targets to better serve our Contract Customers, Plan Members and Self-paid Patients and to capitalise on the potential business opportunities arising from the continued demand for medical services in Hong Kong. Further details on the implementation of future plans, please refer to the section “*Future plans and use of proceeds*”.

In general, our Group would tend to employ the services of Affiliated Clinics and Affiliated Auxiliary Services Providers rather than establishing our own MediNet Centre as we would be able to quickly increase the geographical coverage of our MediNet Network and the overall scope of medical services and facilities offered to Plan Members, unless there is a potential premise which is strategically located in close proximity to our Contract Customers’ offices and in popular shopping or commercial districts.

### *Dental services*

During the Track Record Period and up to the Latest Practicable Date, all dental services were offered to Plan Members and Self-paid Patients through our Dental Clinics without employing the services of any Affiliated Clinics or Affiliated Auxiliary Services Providers, because:

- (a) based on our Group’s operational experience over the years, our Directors consider that our five Dental Clinics are, given their locations at popular commercial and shopping districts, already able to provide reasonably sufficient attractiveness for our Contract Customers to engage us for the provision of dental services to Plan Members; and
- (b) by operating our own Dental Clinics, we enjoy various advantages including but not limited to (i) the opportunity to increase the recognition of the “Well Being Dental Services” brand and enhance the overall image of our Group; (ii) the ability to attract and serve Self-paid Patients with the aim of generating more revenue from the provision of dental services (especially secondary dental services) to Self-paid Patients; and (iii) the ability to have full and direct control of the operation of our own Dental Clinics.

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We currently do not have any plans to employ the services of external dental clinics for the provision of dental services to Plan Members after Listing.

### *Investment costs and payback period*

The investment costs and payback period for establishing a new medical centre or dental clinic could vary significantly depending on various factors, including but not limited to the location, the size, the range of services offered and the type of equipment required. The table below sets out our Directors' estimates of the range of investment costs and payback period for establishing a medical centre and a dental clinic at present:

<b>Establishment of</b>	<b>Approximate investment costs</b>	<b>Approximate payback period</b>
A MediNet Centre	HK\$1 million to HK\$2 million ( <i>Note 1</i> )	4 to 5 years
A specialist medical clinic	HK\$1 million to HK\$3 million ( <i>Note 2</i> )	4 to 5 years
An auxiliary services provider	HK\$1 million to HK\$10 million ( <i>Note 3</i> )	4 to 5 years
A Dental Clinic	HK\$2 million to HK\$3 million ( <i>Note 4</i> )	3 to 5 years

*Note 1:* The types of medical services offered at MediNet Centres include general practitioner consultation services, immunization services, health assessment such as body check and female check-up services, as well as men's health treatments. The estimated investment costs mainly include the cost of rental deposits, renovation, and working capital needs upon start-up for staff costs and for the purchase of various medical supplies, which could vary depending mainly on factors such as the location and the size of the MediNet Centre.

*Note 2:* The estimated investment costs mainly include the cost of rental deposits, renovation, medical equipment (where necessary depending on the specialty), and working capital needs upon start-up for staff costs and for the purchase of various medical supplies, which could vary depending mainly on factors such as the location and the size of the specialist medical clinic and the type of medical specialties offered at the specialist medical clinic.

*Note 3:* The estimated investment costs mainly include the cost of rental deposits, renovation, medical equipment (where necessary depending on the types of auxiliary services), and working capital needs upon start-up for staff costs and for the purchase of various medical supplies, which could vary depending mainly on factors such as the location and the size of the auxiliary services centre and the type of equipment required for the provision of the auxiliary services.

*Note 4:* The types of dental services offered at our Dental Clinic includes primary dental care and secondary dental care as described in the paragraph headed "*Dental services*" above in this section. The estimated investment costs mainly include the cost of rental deposits, renovation, dental equipment, and working capital needs upon start-up for staff costs and for the purchase of various dental supplies, which could vary depending mainly on factors such as the location and the size of the Dental Clinic.

## **BUSINESS SEGMENTS**

Our Group's business operations could be classified into two types of services, namely, (a) the design and administration of medical and dental benefits plans for Contract Customers; and (b) the provision of medical and dental services through the operation of MediNet Centres and Dental Clinics.

For revenue generated under (a), our Group receives payments directly from Contract Customers (which mainly comprise insurance companies and corporations) through the design and administration of tailored medical and/or dental benefits plans for the Contract Customers and the provision of different combinations of medical and/or dental services through the MediNet Network to the Plan Members (including members and employees of our Contract Customers). Under the annual retainer model, our Group receives a fixed amount of annual fee per Plan Member from our Contract Customers regardless of whether or not the Plan Members eventually utilise the medical and/or dental services through the MediNet Network. Under the fee-for-service model, our Group receives payments from Contract Customers based on a pre-agreed fee rate per medical/dental service provided. For FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015, the audited revenue generated under (a) amounted to approximately HK\$55.8 million, HK\$55.5 million, HK\$39.7 million (unaudited) and HK\$44.3 million, respectively. Medical solutions service contracts are normally entered between MediNet Services and respective Contract Customers while dental solutions service contracts are normally entered between Well Being Dental and respective Contract Customers.

For revenue generated under (b), our Group receives payments for the medical and/or dental services from walk-in patients and Plan Members (regardless of whether they are required to make co-payments or additional payments for services not covered by their medical/dental benefits plans) through the operation of our MediNet Centres and Dental Clinics. For FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015, the audited revenue generated under (b) amounted to approximately HK\$26.2 million, HK\$36.1 million, HK\$24.6 million and HK\$26.8 million (including intersegment revenue) or approximately HK\$21.7 million, HK\$31.4 million, HK\$20.8 million (unaudited) and HK\$23.1 million (excluding intersegment revenue), respectively. For the avoidance of doubt, the payments made by Self-paid Patients seeking healthcare services at Affiliated Clinics and Affiliated Auxiliary Services Providers do not relate to our Group.

In the case of (a), MediNet Centres, Dental Clinics and Affiliated Clinics and Affiliated Auxiliary Services Providers represent our Group's cost centres. For medical solutions and dental solutions services contracts signed between Contract Customers and MediNet Services, MediNet Services will make payments to MediNet Health Centre or Well Being Dental (the subsidiaries of our Group which operate the MediNet Centres/Dental Clinics) or Affiliated Clinics and Affiliated Auxiliary Services Providers for services provided by them to Plan Members, as the case may be, depending on where the Plan Members obtained the medical/dental services. Such payments are recorded as "medical and dental professional services expenses" of the Group. In the case of payments made to MediNet Health Centre and Well Being Dental, such "medical and dental professional services expenses" are recognised as intersegment revenue of (b) and will be eliminated upon consolidation. For FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015, the audited "medical and dental professional services expenses" eliminated upon consolidation amounted to approximately HK\$4.5 million, HK\$4.6 million, HK\$3.8 million (unaudited) and HK\$3.7 million, respectively. Please refer to the table below under this subsection for further details on such intersegment revenue.

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For illustrative purposes only, the unaudited segment margins and segment profits of (a) during the Track Record Period are arrived at after taking into account, including but not limited to, the medical and dental professional services expenses paid/payable to the MediNet Network and reimbursement to Plan Members and overhead costs incurred in administering the medical/dental benefits plan with Contract Customers. The unaudited segment margins and segment profits of (b) during the Track Record Period are arrived at after taking into account, including but not limited to, the medical and dental professional services expenses paid/payable to external dentists and laboratories, staff cost paid to MediNet Doctors, Dentists and other professional staff, rental expenses for MediNet Centres and Dental Clinics and cost of medical and dental supplies.

The table below sets forth the historical financial performance and profitability of each of the two types of services provided by our Group during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Nine-month period ended 31 December</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
<b>Design and administration of medical and dental benefits plans for Contract Customers</b>				
Segment revenue				
External revenue ( <i>Note 1</i> )	55,775	55,507	39,667	44,259
Segment profit	6,379	6,386	3,222	5,881
Segment margin	11.4%	11.5%	8.1%	13.3%
<b>Provision of medical and dental services through the operation of MediNet Centres and Dental Clinics</b>				
Segment revenue				
External revenue ( <i>Note 2</i> )	21,745	31,426	20,770	23,074
Intersegment revenue ( <i>Note 3</i> )	4,457	4,627	3,798	3,726
	26,202	36,053	24,568	26,800
Segment profit	2,195	7,856	3,109	2,465
Segment margin	8.4%	21.8%	12.7%	9.2%

*Note 1:* Represent revenue generated from the provision of medical and dental solutions to Contract Customers.

*Note 2:* Represent revenue generated from the provision of medical and dental services to Self-paid Patients (which comprise walk-in patients as well as Plan Members who were required to make co-payments or additional payments for treatments that do not fall within the scope of their relevant benefits plans).

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*Note 3:* Represent revenue generated from the provision of dental and medical services to Plan Members (which received medical/dental services that are free of charge). The amounts of intersegment revenue shown in the above table represents a different segmentation in comparison with that of Note 8 to “Appendix I — Accountants’ Report”, which the intersegment revenue shown in Appendix I to this prospectus refers to the “medical and dental professional services expenses” paid to Well Being Dental by MediNet Services for the dental services provided to Plan Members of one single Contract Customer who entered into a service contract under fee-for-service model which its corporate benefits plan included both medical and dental benefits under the same contract. Such intersegment revenue was calculated based on the dental services received by the relevant Plan Members through our Dental Clinics in accordance with a pre-agreed fee scale charged to the Contract Customer. For FY2014/15, such intersegment revenue eliminated upon consolidation amounted to HK\$792,000. For the avoidance of doubt, saved for the above disclosed, separate contracts were entered into between Contract Customers for dental solution services and medical solution services, respectively.

For (a) the design and administration of medical and dental benefits plans for Contract Customers, the unaudited segment margins for FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015 were approximately 11.4%, 11.5%, 8.1% and 13.3%, respectively. The unaudited segment margins remained stable for FY2013/14 and FY2014/15 which is in line with the relative stable revenue generated from the provision of medical and dental solutions services to Contract Customers.

The increase in unaudited segment margins for (a) from 8.1% for the nine-month period ended 31 December 2014 to 13.3% for the nine-month period ended 31 December 2015 was mainly due to (i) the lower base figure for the nine-month period ended 31 December 2014 as a result of the increased usage of our medical services by Plan Members, which is evidenced by the slightly higher number of visits who were Plan Members for the nine-month period ended 31 December 2014 as compared with the same period in 2015; (ii) a general increase in our pricing for medical and dental solutions services to Contract Customers upon contracts renewals; and (iii) the addition of new Contract Customers for our medical solutions services under the annual retainer model.

For (b) the provision of medical and dental services through the operation of MediNet Centres and Dental Clinics to Self-paid Patients, the unaudited segment margins for FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015 were approximately 8.4%, 21.8%, 12.7% and 9.2%, respectively. The significant increase in unaudited segment margins from 8.4% for FY2013/14 to 21.8% for FY2014/15 was mainly due to the combined effect of (i) the increased average fee paid by Self-paid Patients for medical and dental services per visit; and (ii) the relative stable fixed operating costs (including but not limited to rental expenses and staff costs) for the operation of our MediNet Centres and Dental Clinics in comparison to the respective revenue increment. For further details regarding the average fee paid by Self-paid Patients, please refer to the section headed “*Financial Information — Principal components of results of operations — Revenue*” in this prospectus.

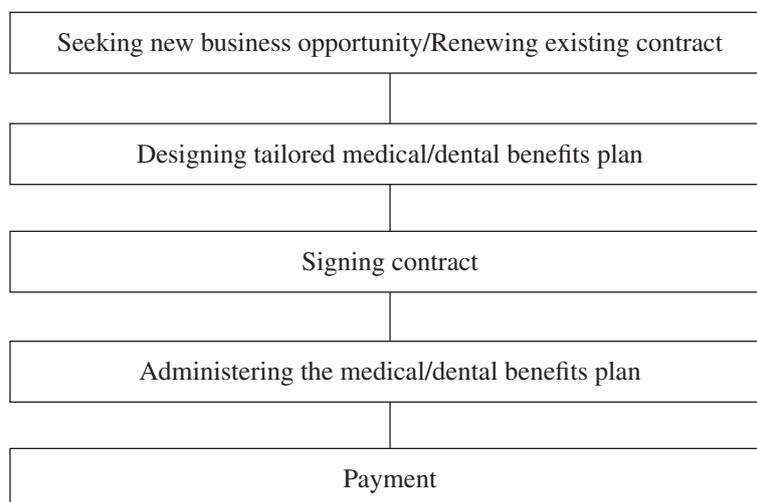
The decrease in unaudited segment margins for (b) from 12.7% for the nine-month period ended 31 December 2014 to 9.2% for the nine-month period ended 31 December 2015 was mainly due to the increase in laboratory charges as a result of the increase in demand from Self-paid Patients for medical services offered at our MediNet Centres, including health assessment services as well as dental services offered at our Dental Clinics, resulting in an increase in our demand for laboratory testing services.

For further analysis for the results of operations during the Track Record Period, please refer to the section headed “*Financial Information — Period-to-period comparison results of operations*” in this prospectus.

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### OPERATION FLOW FOR CORPORATE MEDICAL AND DENTAL SOLUTIONS BUSINESS

The following diagram summarises the principal steps of our operation flow in a typical transaction in respect of our provision of corporate medical and dental solutions to Contract Customers:



#### **Seeking new business opportunity/Renewing existing contract**

During the Track Record Period, our new businesses from Contract Customers were generally obtained through direct approach by the Contract Customers to us. We also engage in certain business development activities targeting at potential new Contract Customers as well as existing Contract Customers, such as maintaining our corporate websites which contain health related information. For further details, please refer to the paragraph headed “*Business development*” below in this section.

For existing Contract Customers, we normally commence negotiation with them for the renewal of contracts in advance of the expiry of the existing contracts so as to allow sufficient time for negotiating and handling any changes in the scopes and terms of service.

#### **Designing tailored medical/dental benefits plan**

Our Group designs tailored medical/dental benefits plans for Contract Customers based on factors such as the scope of the medical and/or dental benefits desired by the Contract Customers and their budget. The process is usually led by our executive Directors, Mr. Chan and Ms. Jiang, as well as our assistant general manager, Ms. Li Christine, and generally involves in-depth discussions with our Contract Customers and understanding of their needs. For details of the background and experience of Mr. Chan, Ms. Jiang and Ms. Li Christine, please refer to the section headed “*Directors and senior management*” in this prospectus.

#### **Signing contract**

After agreeing on the coverage of the benefits plan, we will enter into a contract with the Contract Customer. The contract generally stipulates the period of the contract, the benefits coverage, the amount of annual fee and/or fee for different medical/dental services, specific exclusion list, etc. The contract period is determined on a case-by-case basis which generally ranges from 12 to 24 months.

**Administering the medical/dental benefits plan**

Administering the medical/dental benefits plan involves (i) inputting and updating the information of Plan Members into our centralised administrative platform; (ii) issuing membership cards (known as MediNet cards) to Plan Members (other than Plan Members who already possess membership cards or medical cards issued by our Contract Customers) for verification of identity and benefits coverage and usage when Plan Members receive services through our MediNet Network; (iii) inviting and approving clinics and auxiliary services providers to join our MediNet Network; and (iv) verifying the validity of membership cards and communicate with the Affiliated Doctors and Affiliated Auxiliary Services Providers in relation to the benefits coverage of different Plan Members.

Under certain corporate medical benefits plans administered by us for certain Contract Customers under the annual retainer model, we have also agreed to reimburse the relevant Plan Members for a portion of the fees (subject to certain maximum limit per visit per year) paid for certain types of medical services received by the Plan Members at clinics of their own choosing that are outside of our MediNet Network. For each claim of reimbursement, such reimbursement generally covers 80% to 100% of the fees paid, subject to a ceiling per visit, depending on the types of medical services received. Pricing of corporate medical benefits plan that provides for the reimbursement for medical services received at clinics outside of MediNet Network, similar to the pricing of other corporate medical benefits plan which is determined based on our estimation of the costs that will be incurred by us, shall factor into the historical usage of and average fees paid for medical services at clinics outside of MediNet Network. For further details of the pricing policy, please refer to the paragraph headed “Customers — Costs and pricing considerations for annual retainer contracts” below in this section.

To claim for reimbursement, Plan Member of eligible corporate medical benefits plans who has received medical services at clinic that is outside of our MediNet Network is required to file to us an reimbursement application form together with the payment receipts issued by the clinic as supporting document, either directly or through the relevant Contract Customer, within 90 days from the date of receiving such medical services. Such application form contains information of the Plan Members and details with respect to the medical services received, including but not limited to, the clinic that offered the medical services, the medical services received and the amount paid for such medical services. We will then assess whether if such medical services received fall into the exclusion list as stipulated in the corporate medical plans which are exempt from reimbursement. Subject to the aforesaid assessment, reimbursement is generally made to Plan Member by us within three weeks from the date of receiving the application.

For FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, revenue attributable to corporate medical benefits plan that provides for the reimbursement for medical services received at clinics outside of MediNet Network were approximately HK\$5.9 million, HK\$7.8 million and HK\$13.6 million, respectively, representing approximately 11.9%, 16.1% and 34.9% of the Group’s total revenue generated from the provision of medical solutions to Contract Customers of the corresponding year/period, respectively, while reimbursement made by us to Plan Members for medical services received at clinics outside of MediNet Network were approximately HK\$2.5 million, HK\$3.4 million and HK\$5.0 million, respectively, representing approximately 7.5%, 10.5% and 18.8% of the Group’s total fees to Affiliated Doctors and Affiliated Auxiliary Services Providers and reimbursement to Plan Members of the corresponding year/period.

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Our Group has a centralised administrative platform, namely, the MediNet system, for the storage of the information of Plan Members. In order to maintain the accuracy and to avoid the leakage of the information of Plan Members, only authorised employees can access the MediNet system for updating and checking the information of Plan Members. In order to improve the efficiency and accuracy of the operation, we provide approval hotline services and/or card terminals to the Affiliated Clinics and Affiliated Auxiliary Services Providers which are connected to our MediNet system and are capable of providing real time information for the verification of Plan Members' identities and benefits coverage and usage monitoring. If the Affiliated Doctors and Affiliated Auxiliary Services Providers have any questions regarding the Plan Members, we also have in place a direct hotline for them to promptly seek assistance from our customer services team.

In order to provide convenient, reliable and comprehensive medical services through the MediNet Network, we invite different clinics and auxiliary services providers to join our MediNet Network if we consider it appropriate or necessary. On the other hand, clinics and auxiliary services providers may directly approach us for applying to join our MediNet Network. We maintain a list of Affiliated Clinics and Affiliated Auxiliary Services Providers in our website which can be accessed by our Plan Members and we update such list if there are any changes in our MediNet Network. We also distribute MediNet Network directory pamphlets to our Contract Customers each year, which include the name and address of all points of services under our MediNet Network. Please also refer to the paragraph headed "*Quality Control*" below in this section for the criteria for joining our MediNet Network.

We generally enter into agreements with Affiliated Doctors and Affiliated Auxiliary Services Providers which typically contains key terms and conditions including the scope of the medical and auxiliary services for Plan Members, the agreed fees, the time frame for the notification of changes about the clinic and the time frame for the notification of termination, etc.

### **Payment**

We typically charge our Contract Customers based on an annual retainer model or a fee-for-service model. Under the annual retainer model, we may receive the annual fee in one lump sum or by quarterly or monthly payments from the Contract Customers depending on the terms negotiated. Under the fee-for-service model, we would normally charge our Contract Customers on a monthly basis for the services received by the relevant Plan Members in the preceding month through our MediNet Network in accordance with a pre-agreed fee scale.

Normally, payments will be made by our Contract Customers to us ranging from 60 days to 90 days from the date of issue of the invoice. On the other hand, we normally pay our Affiliated Doctors and Auxiliary Services Providers on a monthly basis with reference to the services received by the Plan Members in the preceding month. Payment terms granted by our Affiliated Doctors and Affiliated Auxiliary Services Providers to us are generally 90 days from the date of invoice.

### **LICENCES AND PERMITS**

As confirmed by our Directors, our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date.

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The dental services provided at our Dental Clinics involve the use of certain irradiating apparatuses, which is regulated under the Radiation Ordinance and requires licences issued by the Radiation Board of Hong Kong. Such irradiating apparatuses are owned by Well Being Dental and are equipped at our Dental Clinics. Well Being Dental has obtained the relevant licences for all such irradiating apparatuses pursuant to the Radiation Ordinance. Such licences currently held by us were issued on dates ranging from May 2015 to January 2016 and are valid until August 2016 to March 2017. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any refusal for the renewal of such licences. Provided that such irradiating apparatuses remain in good operating state (subject to our repair and maintenance where necessary) and that they are operated by our professional dental personnel, our Directors confirmed that up to the Latest Practicable Date, they do not foresee any material legal impediment in respect of the renewal of such licences by us upon the respective expiry of such licences.

The dental services provided at our Dental Clinics also involve the use of certain pressure vessels, which is regulated under the Boilers and Pressure Vessels Ordinance. The use of each pressure vessel requires a certificate of fitness issued by an appointed examiner after examination of the pressure vessel. Our pressure vessels are owned by Well Being Dental and are equipped at our Dental Clinics. Well Being Dental has obtained the relevant certificates of fitness for all such pressure vessels pursuant to the Boilers and Pressure Vessels Ordinance. Such certificates are valid for either 14 or 26 months from their respective dates of issue. The certificates currently held by us were issued on dates ranging from August 2014 to October 2015 and are valid until October 2016 to November 2017. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any refusal for the issue of new certificates upon the end of the validity period of the respective original certificates. Provided that such pressure vessels remain in good operating state (subject to our repair and maintenance where necessary) and that they are operated by our professional dental personnel, our Directors confirmed that up to the Latest Practicable Date, they do not foresee any material legal impediment in respect of the issue of such certificates upon the end of the validity period of the respective existing certificates.

## CUSTOMERS

### Characteristics of our customers

Our customers can generally be categorised into Contract Customers and Self-paid Patients:

- (a) **Contract Customers** refer to customers that enter into contracts with our Group for the administration of medical and/or dental benefits plans under which medical and/or dental services are provided to Plan Members through our MediNet Network. For our provision of medical solutions services, our Contract Customers mainly comprise insurance companies and corporations. For our provision of dental solutions services, our Contract Customers mainly include insurance companies, corporations, as well as individuals.

With respect to insurance companies, Plan Members mainly include policyholders of the insurance companies or the employees of the policyholders, and they typically possess insurance membership cards issued by the insurance companies for identification purpose when receiving services through our MediNet Network. With respect to corporations, Plan Members mainly include employees of the corporations and/or their dependents, and they

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either possess corporate medical cards issued by the corporations or MediNet membership cards issued by us for identification purpose when receiving services through our MediNet Network.

We have long-standing relationship with various Contract Customers, including reputable multi-national corporations, sizable local corporations, well-known insurance companies, as well as small and medium enterprises.

- (b) *Self-paid Patients* refer to patients who visit our MediNet Centres and Dental Clinics and who pay out of their own expenses, such as walk-in patients as well as Plan Members who pay for a portion or the entire amount of fees incurred for the medical and/or dental services received that do not fall within the scope of the relevant medical/dental benefits plans or that require co-payments by the Plan Members.

Set out below is a breakdown of our revenue by customer category during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
					2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Contract customers	55,775	71.9	55,507	63.9	39,667	65.6	44,259	65.7
Self-paid Patients	<u>21,745</u>	<u>28.1</u>	<u>31,426</u>	<u>36.1</u>	<u>20,770</u>	<u>34.4</u>	<u>23,074</u>	<u>34.3</u>
	<u><u>77,520</u></u>	<u><u>100.0</u></u>	<u><u>86,933</u></u>	<u><u>100.0</u></u>	<u><u>60,437</u></u>	<u><u>100.0</u></u>	<u><u>67,333</u></u>	<u><u>100.0</u></u>

### Material terms of contracts with Contract Customers

Our contracts entered into with Contract Customers generally set out the scope of medical and/or dental services to be provided to Plan Members, the agreed fees per Plan Member (for annual retainer contracts) or the agreed fee scale for different types of services (for fee-for-service contracts), the payment terms, details of the points of service to which the Plan Members are entitled to have access, and the amount of co-payments (if any) required to be borne by the Plan Members. Some contracts also contain the following key terms:

- (i) *Administration service:* We are responsible for the administration of the medical or dental benefits plans for the Contract Customers and to inform the Contract Customers for any additions, removals and/or changes of service providers to which the Plan Members are entitled to have access.
- (ii) *Professional licenses of service providers:* We shall ensure that all Doctors, Dentists and Affiliated Auxiliary Services Providers have, where applicable, obtained relevant registrations and/or licenses which are required for the provision of medical or dental services according to the laws in Hong Kong.

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- (iii) *Termination*: The contract period generally ranges from 12 to 24 months, depending on the negotiations with the respective Contract Customers. The agreements may normally be terminated by either party by giving one month advance notice to the other party in writing.
- (iv) *Exclusions*: The agreements typically set out a list of general exclusions which are not covered by the relevant benefits plans.

### **Costs and pricing considerations for annual retainer contracts**

Under the annual retainer model, our Contract Customers would generally pay us a fixed amount of annual fee per Plan Member. Such fee is generally payable upfront, with regular adjustments to the fee based on any changes in the number of Plan Members enrolled. The annual fee is determined on a case-by-case basis. Our pricing under the annual retainer model is generally determined based on our estimation of the costs that will be incurred by us having regard to a number of factors including:

- (i) the scope of medical and/or dental services covered by the corporate medical and/or dental benefits plans and the number of Plan Members to be covered;
- (ii) the number of points of services within our MediNet Network to which the Plan Members are entitled to have access;
- (iii) the amount of co-payment, if any, agreed to be borne by the Plan Members;
- (iv) the actual data retained by us in respect of the historical usage of medical and or dental services by different types of Plan Members (e.g. by different occupations) through our MediNet Network, in order for us to estimate the average utilisation of the relevant services by Plan Members for different Contract Customers; and
- (v) the estimated amount of professional fees payable to Affiliated Clinics and Affiliated Auxiliary Services Providers over the term of the agreements, having regard to the estimated utilisation of services by Plan Members and the estimated increases in our costs due to inflation and market conditions.

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After considering the above factors, the total cost of each contract under the annual retainer model is estimated as follows:

Type of medical, dental and/or auxiliary services required per Plan Member	(Estimated cost per service — co-payment (if any)) x estimated average utilisation (e.g. number of visits) per Plan Member during the contract period ( <i>Note</i> )
Medical services	
— General practice services	A
— Specialist services	B
Dental services	C
Auxiliary services	D
Estimated total cost per Plan Member	$E = A + B + C + D$
Number of Plan Member under the contract	F
Estimated total cost	$G = E \times F$

*Note:* Estimated average utilisation per Plan Member for a certain contract period is estimated with reference to the historical utilisation which is reviewed on an annual basis, or, in case of first-time customer, with reference to the historical utilisation of the customers in similar industries. The estimated average utilisation will not exceed the usage limits applicable to each type of medical, dental and/or auxiliary services covered.

After estimating our costs based on the above factors, we will then apply a certain mark-up percentage to arrive at our pricing, where a sufficient margin is generally allowed in order to cater for the risk of uncertain variable costs arising from the uncertainty in respect of the actual level of future usage of medical services by Plan Members through our MediNet Network. The mark-up percentage may be different for different Contract Customers, depending on factors such as the overall contract size, the punctuality in respect of the historical payment record of the Contract Customer, and our negotiations with the Contract Customer. During the Track Record Period, the pricing per Plan Member generally ranged from approximately HK\$216 to approximately HK\$17,156 for annual retainer contracts.

### **Breakdown of revenue derived from Self-paid Patients**

The table below sets out a breakdown of our revenue derived from Self-paid Patients during the Track Record Period by the following three categories:

- (i) the fees incurred for the treatments received by patients who are not Plan Members (i.e. walk-in patients);
- (ii) the uncovered fees incurred for the treatments received by patients who are Plan Members but who received treatments that do not fall within the scope of the relevant benefits plans; and

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- (iii) the co-payment amount for the treatments received by Plan Members who are required to bear a certain amount of co-payments pursuant to the relevant benefits plans:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December</b>	
			<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Fees from walk-in patients	13,865	21,316	13,511	16,191
Uncovered fees from Plan Members	7,809	10,037	7,207	6,825
Co-payments by Plan Members	<u>71</u>	<u>73</u>	<u>52</u>	<u>58</u>
 Total revenue from Self-paid Patients	 <u>21,745</u>	 <u>31,426</u>	 <u>20,770</u>	 <u>23,074</u>

The table below sets out the number of Self-paid Patients with revenue contribution to our Group during the Track Record Period:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December</b>	
			<b>2014</b>	<b>2015</b>
<b>Number of Self-paid Patients who were:</b>				
— Walk-in patients	9,106	11,146	9,165	8,829
— Plan Members in category (ii) described above	24,542	21,481	17,614	18,812
— Plan Members in category (iii) described above	<u>1,515</u>	<u>1,967</u>	<u>1,579</u>	<u>1,591</u>
 Total number of Self-paid Patients	 <u>35,163</u>	 <u>34,594</u>	 <u>28,358</u>	 <u>29,232</u>

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Accordingly, for each of FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015, the average fee paid by each Self-paid Patient was, respectively:

- HK\$1,523, HK\$1,912, HK\$1,474 and HK\$1,834 for Self-paid Patients who were walk-in patients;
- HK\$318, HK\$467, HK\$409 and HK\$363 for Self-paid Patients who were Plan Members in category (ii) described above; and
- HK\$47, HK\$37, HK\$33 and HK\$36 for Self-paid Patients who were Plan Members in category (iii) described above.

The following table sets out the number of visits by Self-paid Patients during the Track Record Period (as each Self-paid Patient may have paid more than one visit):

			<b>Nine-month period ended 31 December</b>	
	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>2014</b>	<b>2015</b>
<b>Number of visits by Self-paid Patients who were:</b>				
— Walk-in patients	16,799	18,331	14,133	14,359
— Plan Members in category (ii) described above	37,494	31,926	25,084	26,510
— Plan Members in category (iii) described above	<u>2,999</u>	<u>3,271</u>	<u>2,460</u>	<u>2,765</u>
<b>Total number of visits by Self-paid Patients</b>	<u><u>57,292</u></u>	<u><u>53,528</u></u>	<u><u>41,677</u></u>	<u><u>43,634</u></u>

Accordingly, for each of FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015, the average fee paid by Self-paid Patient per visit was, respectively:

- HK\$825, HK\$1,163, HK\$956 and HK\$1,128 for Self-paid Patients who were walk-in patients;
- HK\$208, HK\$314, HK\$287 and HK\$257 for Self-paid Patients who were Plan Members in category (ii) described above; and
- HK\$24, HK\$22, HK\$21 and HK\$21 for Self-paid Patients who were Plan Members in category (iii) described above.

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**Patients who visit our MediNet Centres and Dental Clinics**

Apart from providing services to walk-in patients who visited our MediNet Centres and Dental Clinics, our MediNet Centres and Dental Clinics also provide services to Plan Members of our Contract Customers (regardless of whether they are required to make co-payments or additional payments for services not covered by their medical/dental benefits plans) who visited our MediNet Centres and Dental Clinics as they form part of our MediNet Network.

The table below sets out the breakdown of the number of visits to our MediNet Centres and Dental Clinics during the Track Record Period between (a) walk-in patients; and (b) Plan Members (regardless of whether they are required to make co-payments or additional payments for services not covered by their medical/dental benefits plans):

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December</b>	
			<b>2014</b>	<b>2015</b>
<b>Number of visits to our MediNet Centres and Dental Clinics</b>				
— Walk-in patients	16,799	18,331	14,133	14,359
— Plan Members	<u>87,981</u>	<u>74,083</u>	<u>65,425</u>	<u>67,786</u>
<b>Total number of visits to our MediNet Centres and Dental Clinics</b>	<u>104,780</u>	<u>92,414</u>	<u>79,558</u>	<u>82,145</u>

For illustrative purposes only, the table below sets out the breakdown of the revenue of our MediNet Centres and Dental Clinics during the Track Record Period between (a) walk-in patients; and (b) Plan Members (regardless of whether they are required to make co-payments or additional payments for services not covered by their medical/dental benefits plans):

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i>	<i>2015</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
<b>Revenue of our MediNet Centres and Dental Clinics</b>				
— Walk-in patients	13,865	21,316	13,511	16,191
— Plan Members	<u>12,337</u>	<u>14,737</u>	<u>11,057</u>	<u>10,609</u>
<b>Total revenue of our MediNet Centres and Dental Clinics</b>	<u>26,202</u>	<u>36,053</u>	<u>24,568</u>	<u>26,800</u>

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Accordingly, for each of FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015, the average fee paid by patients who visited our MediNet Centres and Dental Clinics was, respectively:

- HK\$825, HK\$1,163, HK\$956 and HK\$1,128 for patients who were walk-in patients; and
- HK\$140, HK\$199, HK\$169 and HK\$157 for patients who were Plan Members (regardless of whether they are required to make co-payments or additional payments for services not covered by their medical/dental benefits plans).

Based on the above information, walk-in patients represented approximately 16.0%, 19.8% and 17.5% while Plan Members represented approximately 84.0%, 80.2% and 82.5% of the number of visits for FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015. For illustrative purposes only, the respective revenue generated from walk-in patients amounted to 17.9%, 24.5%, 22.4% and 24.0% while Plan Members represented 15.9%, 17.0%, 18.3% and 15.8% of the total revenue of our Group for FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, respectively. This illustrates the average fee paid by walk-in patients per visit to our MediNet Centres and Dental Clinics were approximately 5.9 times, 5.8 times, 5.7 times and 7.2 times higher than that of Plan Members for the FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015, implying that walk-in patients were of higher significance relative to Plan Members who visited our MediNet Centres and Dental Clinics in respect of revenue contribution to our Group.

Given that the nature of the major operating costs in relation to the operation of MediNet Centres and Dental Clinics are generally steady in nature, which mainly include rental expenses and staff costs to our MediNet Doctors, Dentists and other professional staff, the contribution margin for the operation of MediNet Centres and Dental Clinics improves when the revenue generated increases. While we serve and generate revenue from both walk-in patients and Plan Members (regardless of whether they are required to make co-payments or additional payments for services not covered by their medical/dental benefit plans) through the operation our own MediNet Centres and Dental Clinics, given the higher average fee paid by walk-in patients as compared with Plan Members as analysed above, our Directors consider that walk-in patients are of higher potential for improving the profitability of our Group's business operations.

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### Top customers

Set out below is a breakdown of our revenue by major customers during the Track Record Period and their respective background information:

For FY2013/14:

Rank	Customer	Principal business activities	Type of services provided by us	Years of business relationship	Usual settlement period and method	Revenue derived from the customer	
						HK\$'000	%
1	Customer A	Insurance company	Medical and dental solutions (fee-for-service)	4	Within 45 days of receipt of invoice by customer; mainly by cheque	9,724	12.5
2	Customer B	Insurance company	Medical solutions (fee-for-service)	13	Within 45 days of receipt of invoice by customer; mainly by cheque	8,065	10.4
3	Customer C	Insurance company	Medical solutions (fee-for-service)	16	Within 60 days of receipt of invoice by customer; mainly by bank autopay	4,338	5.6
4	Customer D	Insurance company	Medical solutions (fee-for-service)	10	Within 45 days of receipt of invoice by customer; mainly by bank autopay	3,945	5.1
5	Customer E	Insurance company	Medical solutions (fee-for-service)	12	Within 30 days of receipt of invoice by customer; mainly by bank autopay	2,991	3.9
Five largest customers combined						29,063	37.5
All other customers						48,457	62.5
Total revenue						77,520	100.0

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For FY2014/15:

Rank	Customer	Principal business activities	Type of services provided by us	Years of business relationship	Usual settlement period and method	Revenue derived from the customer	
						HK\$'000	%
1	Customer A	Insurance company	Medical and dental solutions (fee-for-service)	4	Within 45 days of receipt of invoice by customer; mainly by cheque	9,456	10.9
2	Customer B	Insurance company	Medical solutions (fee-for-service)	13	Within 45 days of receipt of invoice by customer; mainly by cheque	8,925	10.3
3	Customer C	Insurance company	Medical solutions (fee-for-service)	16	Within 60 days of receipt of invoice by customer; mainly by bank autopay	4,325	5.0
4	Customer D	Insurance company	Medical solutions (fee-for-service)	10	Within 45 days of receipt of invoice by customer; mainly by bank autopay	4,021	4.6
5	Customer E	Insurance company	Medical solutions (fee-for-service)	12	Within 30 days of receipt of invoice by customer; mainly by cheque	2,994	3.4
Five largest customers combined						29,721	34.2
All other customers						57,212	65.8
Total revenue						86,933	100.0

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For the nine-month period ended 31 December 2015:

Rank	Customer	Principal business activities	Type of services provided by us	Years of business relationship	Usual settlement period and method	Revenue derived from the customer	
						HK\$'000	%
1	Customer B	Insurance company	Medical solutions (fee-for-service)	13	Within 45 days of receipt of invoice by customer; mainly by cheque	7,053	10.5
2	Customer A	Insurance company	Medical and dental solutions (fee-for-service)	4	Within 45 days of receipt of invoice by customer; mainly by cheque	6,276	9.3
3	Customer F	Licensed bank	Medical and dental solutions (annual retainer)	20	Monthly payment mainly by bank autopay	3,204	4.8
4	Customer C	Insurance company	Medical solutions (fee-for-service)	16	Within 60 days of receipt of invoice by customer; mainly by bank autopay	3,081	4.6
5	Customer D	Insurance company	Medical solutions (fee-for-service)	10	Within 45 days of receipt of invoice by customer; mainly by bank autopay	3,073	4.5
Five largest customers combined						22,687	33.7
All other customers						44,646	66.3
Total revenue						67,333	100.0

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period. During the Track Record Period, none of our Group's major customers were also our Group's major suppliers or vice versa.

### Collection of our accounts receivables

Contract Customers are typically granted a credit period of approximately 60 days to 90 days by us while Self-paid Patients are normally required to settle the entire amount of fees incurred as services are rendered at our MediNet Centres and Dental Clinics with cash or credit card (and, in certain cases, EPS), with an option of credit card payment by installments available for certain types of relatively expensive secondary dental treatments such as orthodontics.

There is no assurance that our Contract Customers will settle our invoices in a timely manner and in accordance with the contract terms agreed with us. Please refer to the section headed "*Risk factors — Risk relating to our business — We are subject to credit risk in respect of our accounts and other receivables*" for further details. Nevertheless, we have implemented a policy to monitor and evaluate

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overdue payments on a case-by-case basis and consider the appropriate follow-up actions (including but not limited to issuing payment reminders, actively communicating with customers, and, if necessary, taking legal actions) having regard to the customer's normal payment processing procedures, our relationship with the customer, its history of making payments to us, its financial position as well as the general economic environment.

Please also refer to the section headed "*Financial information — Net current assets — Accounts and other receivables*" for a further discussion and analysis on our accounts receivables and our collection periods during the Track Record Period.

### SUPPLIERS

#### Characteristics of our suppliers

During the Track Record Period, suppliers of goods and services which were specific to our business and were required on a regular basis to enable us to continue to carry on our business included (i) Affiliated Doctors and Affiliated Auxiliary Services Providers; (ii) external dentists (who are not our own Dentists or Dental Hygienists but who are engaged by us to provide certain secondary dental care treatments at our Dental Clinics); (iii) other suppliers such as suppliers of drugs and medicine and other consumables and laboratories engaged by us for blood, urine, stool and other testing procedures and X-ray imaging for our Self-paid Patients; and (iv) MediNet Doctors who provide medical services at our MediNet Centres, whom we have ceased to directly employ pursuant to the MediNet Doctors Agreements effective from 1 November 2015. For details, please refer to the paragraph headed "Compliance and legal proceedings — MediNet Doctors Agreements" below in this section. During the Track Record Period, our suppliers were located in Hong Kong and our purchases were denominated in HK\$.

The following table sets out a breakdown of our purchases during the Track Record Period by type of suppliers:

	FY2013/14		FY2014/15		Nine-month period ended			
					31 December			
	HK\$'000	%	HK\$'000	%	2014 HK\$'000	%	2015 HK\$'000	%
Affiliated Doctors and Affiliated Auxiliary Services Providers	33,305	83.7	32,936	79.8	23,566	78.8	26,391	76.4
External dentists	1,496	3.8	1,807	4.4	1,138	3.8	1,699	4.9
Other suppliers	5,007	12.5	6,537	15.8	5,206	17.4	5,837	16.9
MediNet Doctors	—	—	—	—	—	—	608	1.8
Total purchases	39,808	100.0	41,280	100.0	29,910	100.0	34,535	100.0

**Affiliated Doctors and Affiliated Auxiliary Services Providers**

**(a) *Material terms of agreements***

Our Affiliated Doctors and Affiliated Auxiliary Services Providers agreed with our Group to provide a range of medical services to our Plan Members in accordance with the terms of their respective agreements with our Group. Our agreements with Affiliated Doctors and Affiliated Auxiliary Services Providers generally include the following key terms:

- (i) *Scope of services:* A specified scope of medical services are agreed to be provided by our Affiliated Doctors and Affiliated Auxiliary Services Providers to Plan Members.
- (ii) *Agreed fee:* A fee scale is agreed for different types of medical services based on which the Affiliated Doctors and Affiliated Auxiliary Services Providers shall charge us after the provision of services to Plan Members. Such fee scale is generally agreed after arm's length negotiations having regard to factors such as the prevailing market rates, the locations of the relevant Affiliated Clinics or Affiliated Auxiliary Services Providers, etc.
- (iii) *Changes of the clinic:* In general, our Affiliated Doctors and Affiliated Auxiliary Services Providers shall provide us with a 2 weeks' written notice if there are any changes regarding the consultation hours, attending doctors, special clinic hours during public holiday, etc.
- (iv) *Termination:* In general, our agreements with Affiliated Doctors and Affiliated Auxiliary Services Providers shall continue to be valid unless the agreements are terminated. A typical agreement may be terminated by either party by giving the other a prior written notice of either one or three months.

Our agreements with the Affiliated Doctors and Affiliated Auxiliary Services Providers generally do not contain any exclusivity clauses restricting them from providing services to their other walk-in patients or patients from other medical networks.

In accordance with the terms of the relevant agreements, the Affiliated Doctors and Affiliated Auxiliary Services Providers generally receive from our Group an agreed rate for the type of services provided to the Plan Members. The total amount of fees payable to the Affiliated Doctors and Affiliated Auxiliary Services Providers depends on the volume of Plan Members treated each month. During the Track Record Period, the amount of fees paid to each Affiliated Doctor and Affiliated Auxiliary Services Provider ranged from approximately HK\$130 to approximately HK\$83,775 per month. The payment terms granted by our Affiliated Doctors and Auxiliary Services Providers are generally 90 days. The fees paid to our Affiliated Doctors and Auxiliary Services Providers are recognised as "Medical and dental professional services expenses" in the combined statements of profit or loss and other comprehensive income of our Group.

The Affiliated Doctors and certain Affiliated Auxiliary Services Providers are also required by our Group (i) to be properly registered and maintain their professional qualifications; and (ii) to maintain their own professional indemnity insurance against legal costs and compensation payments involved in clinical negligence claim (where such insurances coverage are usually subject to certain limitations including criminal proceedings and fraud allegations that are excluded from the scope of such

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indemnity). In addition, all Registered Medical Practitioners in Hong Kong have to comply with the Code of Professional Conduct issued by the Medical Council. Please refer to the section headed “Regulatory overview — Code of Professional Conduct” for further details.

**(b) Number and turnover/retention rates**

The tables below set out (i) the total number of Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers within our MediNet Network as at the dates indicated; (ii) the number of Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers who joined the MediNet Network (the “New Joiners”) and the number of Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers who left the MediNet Network (the “Leavers”) during the period indicated; (iii) the retention rates of the Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers during the periods indicated; and (iv) the turnover rates of the Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers during the periods indicated:

*(i) Number of Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers*

	<b>As at</b>			
	<b>1 April 2013</b>	<b>31 March 2014</b>	<b>31 March 2015</b>	<b>31 December 2015</b>
Affiliated Doctors				
— General practitioners	329	316	307	298
— Specialists	87	88	92	89
Professionals working at Affiliated Auxiliary Services Providers	43	52	54	59
<b>Total</b>	<b>459</b>	<b>456</b>	<b>453</b>	<b>446</b>

All Affiliated Doctors (including general practitioners and specialists) are properly registered as Registered Medical Practitioners. In addition, all professionals working at Affiliated Auxiliary Services Providers practising traditional Chinese medicine and physiotherapy are properly registered with relevant authorities. As at the Latest Practicable Date, the practicing experience of Affiliated Doctors ranged from 1 years to 61 years and the experience of professionals working at Affiliated Auxiliary Services Providers for the provision of relevant auxiliary medical services ranged from 2 years to 50 years.

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(ii) *Number of New Joiners and Leavers*

	FY2013/14	FY2014/15	Nine-month period ended 31 December 2015
<b>Affiliated Doctors — general practitioners</b>			
New Joiners	4	22	3
Leavers	17	31	12
<b>Affiliated Doctors — specialists</b>			
New Joiners	3	4	2
Leavers	2	0	5
<b>Professionals working at Affiliated Auxiliary Services Providers</b>			
New Joiners	9	6	5
Leavers	0	4	0
<b>Overall</b>			
New Joiners	16	32	10
Leavers	19	35	17

During the Track Record Period, the Leavers initiated the respective terminations in accordance with the terms of the respective agreements, where the majority of the Leavers did not disclose their reasons to us while the remaining Leavers' reasons included (i) close of business; (ii) over-capacity; and (iii) commercial and/or financial reasons.

(iii) *Retention rates*

	FY2013/14	FY2014/15	Nine-month period ended 31 December 2015
<b>Affiliated Doctors</b>			
— General practitioners	94.8%	90.2%	96.1%
— Specialists	97.7%	100.0%	94.6%
<b>Professionals working at Affiliated Auxiliary Services Providers</b>			
	100.0%	92.3%	100.0%
<b>Overall</b>	95.9%	92.3%	96.2%

Retention rate is calculated based on the total number of Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers at the end of the year/period minus the total number of New Joiners during the year/period, and then divided by the total number of Affiliated Doctors and professionals working at Affiliated Auxiliary Services Providers at the beginning of the year/period, then multiplied by 100.

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(iv) *Turnover rates*

	FY2013/14	FY2014/15	Nine-month period ended 31 December 2015
Affiliated Doctors			
— General practitioners	5.2%	9.8%	3.9%
— Specialists	2.3%	0.0%	5.4%
Professionals working at			
Affiliated Auxiliary Services Providers	0.0%	7.7%	0.0%
Overall	4.1%	7.7%	3.8%

Turnover rate is calculated by subtracting the relevant retention rate from 100%.

(c) *Services provided*

The types of services provided by Affiliated Doctors to Plan Members include (i) general practitioner consultation services; and (ii) specialist services covering 17 specialities, namely, cardiology, dermatology, ear, nose and throat surgery, endocrinology diabetes and metabolism, gastroenterology and hepatology, general surgery, haematology and haematological oncology, internal medicine, nephrology, neurology, obstetrics and gynaecology, neurosurgery, ophthalmology, orthopaedic, paediatric, respiratory medicine, and urology.

The types of services provided by Affiliated Auxiliary Services Providers to Plan Members include (i) physiotherapy; (ii) traditional Chinese medicine; (iii) health assessment services; and (iv) diagnostic X-ray and laboratory tests.

(d) *Quality control measures*

Our Group has implemented the following internal control measures to evaluate and select Affiliated Doctors and Affiliated Auxiliary Services Providers and to monitor the service quality of Affiliated Doctors and Affiliated Auxiliary Services Providers on an ongoing basis:

(i) *Selection of Affiliated Clinics and Affiliated Auxiliary Services Providers*

Since the quality of services provided through our MediNet Network is crucial to our Group's success, we carefully evaluate doctors and auxiliary services providers when deciding whether to allow them to join our MediNet Network based on a range of factors such as, where applicable, the location of their clinics or premises, their practicing experiences (for example, we generally require a valid medical registration with the Medical Council of Hong Kong with a minimum of 3 years of postgraduate experience for doctors), the capacity of the clinics or premises, the reputation of the doctors or auxiliary services providers, whether they have purchased professional indemnity insurance, the validity of their professional registrations and their track records (for example, whether there are any medical council sanctions, criminal convictions or professional misconduct).

*(ii) Ongoing monitoring measures*

For existing Affiliated Doctors and Affiliated Auxiliary Services Providers in our MediNet Network, we monitor on an ongoing basis whether any complaints on their services are made by Plan Members and we also conduct regular checks on the validity of their professional registrations where applicable.

In order to enhance our service quality and customers' loyalty, we have also set up a customer service hotline and a compliant handling mechanism whereby any enquiries and complaints from our customers or Plan Members are handled by our customer services team. Complaints will be reported to our management for follow-up in order to ascertain customers' experience and expectations. This system enables us to improve our services to meet customers' needs.

During the Track Record Period and up to the Latest Practicable Date, none of the Affiliated Doctors and Affiliated Auxiliary Services Providers were involved in any material medical incidents, disciplinary actions and/or investigations by the Medical Council which led to a suspension of their ability to practise medicine. Although Affiliated Doctors and Affiliated Auxiliary Services Providers have not provided indemnities in favour of our Group pursuant to our respective agreements, according to our Group's policy, our Group requires that Affiliated Doctors and certain Affiliated Auxiliary Services Providers shall maintain their own professional indemnity insurance before we would consider selecting them to join our MediNet Network.

**External dentists**

During the Track Record Period, two external dentists were engaged by us to provide certain secondary dental care treatments at our Dental Clinics. One of them mainly provided orthodontics services at our Dental Clinics and the other one mainly provided oral surgery and dental implants services at our Dental Clinics. Such external dentists were Registered Dental Practitioners. We have engaged each of these two external dentists since 2008 and 2007 respectively. We selected and engaged them based on (i) the validity of their registrations as Registered Dental Practitioners; (ii) their practicing experiences and expertise in the specific areas of the relevant dental services; (iii) the validity of the professional indemnity insurance purchased by them; and (iv) their clean professional records (i.e. without any records of professional misconduct or other sanctions or convictions in relation to their practices).

These two external dentists are not our employees and are not entitled to any basic salary. Instead, our Group shall pay a certain pre-agreed percentage of the fees received from patients for the dental services provided by them. They typically work for two half-day sessions or 2 days per week at our Dental Clinics, where the specific time and location are agreed between us and these external dentists from time to time depending on patients' appointments.

Our agreements with external dentists generally contains terms and conditions including the type of dental services to be provided by the external dentist, the sharing of fees from Self-paid Patients, the requirement for the external dentist to maintain his/her own professional indemnity insurance, etc. The payment terms granted by the external dentists are generally 30 days.

### **Other suppliers**

Our Group selects our other suppliers based on factors including but not limited to their reputation, recommendations by our MediNet Doctors and Dentists, quality of the goods and services supplied by them, their past delivery records and pricing. In addition, our Group purchases drugs and medicine only from registered pharmaceutical wholesalers in Hong Kong, who are subject to licensing control and regulations under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong).

According to our Group's policy, our MediNet Doctors and Dentists are responsible for the quality control in respect of drugs and medicine and other consumables purchased from suppliers, which include physical inspection of any observable defects, checking of expiry dates, monitoring the temperature of drugs storage, and dispensing drug items and medical consumables on a first-in-first-out basis. Where there are observable defects upon delivery of our purchases, we will notify the relevant suppliers to obtain replacements. In addition, our Group will return drugs and medicine to the relevant suppliers (i.e. registered pharmaceutical wholesalers) if the drugs and medicine are subject to recall actions directed by the Drug Office of Department of Health of the Government or by the relevant suppliers themselves. We also conduct regular checks on the list of drugs and medicine that are subject to recall actions from the website of the Drug Office of Department of Health of the Government. During the Track Record Period, there were no material returns of the drugs and medicine by our Group to our suppliers.

The payment terms granted by our other suppliers generally range from 60 to 90 days.

### **Top suppliers**

For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, the percentage of our total purchases from our largest supplier amounted to approximately 5.8%, 5.8% and 6.1% of our total purchases respectively, while the percentage of our total purchases from our five largest suppliers combined amounted to approximately 16.3%, 16.8% and 18.3% of our total purchases respectively.

For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our top 5 suppliers were either our Affiliated Doctors or our Affiliated Auxiliary Services Providers.

The five largest suppliers of our Group are independent third parties, and to the best of our Directors' knowledge and belief, none of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

We have not entered into any long-term agreement or committed to any minimum purchase amount with our suppliers. Our Directors confirmed that we did not have any significant disputes with any of our top five suppliers during the Track Record Period.

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### Basis of selection of our suppliers

Since the quality of services provided through our MediNet Network is crucial to our Group's success, we carefully evaluate doctors, dentists, dental hygienists and auxiliary services providers when deciding whether to allow them to join our MediNet Network or to engage them to provide medical or dental services at our MediNet Centres or Dental Clinics. For details, please refer to the paragraph headed "*Quality control*" below in this section.

The purchases of drug and medicine and other consumables from suppliers are monitored by our MediNet Doctors and Dentists and approved by the management of our Group. We purchase drugs and medicine from registered pharmaceutical wholesalers in Hong Kong, who are subject to licensing control under the Pharmacy and Poisons Ordinance.

### BUSINESS DEVELOPMENT

During the Track Record Period, our new businesses from Contract Customers were generally obtained through direct approach by the Contract Customers to us, which is considered by our Directors to be attributable to our well-established presence and reputation in the corporate medical and dental solutions industry in Hong Kong.

In addition, we maintain relationship with our existing Contract Customers and attract them to renew contracts with us by ensuring and continuously enhancing the quality of our services, maintaining our reputation in the industry, and liaising with existing and potential customers from time to time for relationship building and management. We also perform other business development activities such as our corporate websites operation which contain health related information, and the distribution of MediNet Network directory pamphlets to our Contract Customers which contain updated information regarding our MediNet Network. During the Track Record Period, we also engaged or cooperated with certain external websites operators for the display of information relating to our health assessment services offered through our MediNet Centres on their websites. In addition, we also provide brochures and pamphlets in our MediNet Centres and Dental Clinics which contain health related information.

The following table sets forth a breakdown of our revenue derived from repeat Contract Customers (i.e. Contract Customers who had previously entered into contract with us before the Track Record Period) and new Contract Customers for the provision of medical and dental solutions:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014 HK\$'000 % (unaudited)		2015 HK\$'000 %	
Repeat Contract								
Customers	55,469	99.5	53,653	96.7	39,558	99.7	38,823	87.7
New Contract Customers	<u>306</u>	<u>0.5</u>	<u>1,854</u>	<u>3.3</u>	<u>109</u>	<u>0.3</u>	<u>5,436</u>	<u>12.3</u>
Total	<u><u>55,775</u></u>	<u><u>100.0</u></u>	<u><u>55,507</u></u>	<u><u>100.0</u></u>	<u><u>39,667</u></u>	<u><u>100.0</u></u>	<u><u>44,259</u></u>	<u><u>100.0</u></u>

## **QUALITY CONTROL**

Our Directors consider that one of the factors contributing to our Group's success is our ability to deliver quality services to our customers. Our Directors believe that maintaining a high level of service quality is vital to enhancing the competitiveness of our Group and therefore we have implemented internal policies and procedures to ensure the delivery of quality services.

We carefully evaluate doctors, dentists, dental hygienists and auxiliary services providers when deciding whether to allow them to join our MediNet Network or to engage them to provide medical or dental services at our MediNet Centres or Dental Clinics based on a range of factors such as, where applicable, the location of their clinics or premises, practicing experience (which, for example, we generally require a valid medical registration with the Medical Council of Hong Kong with minimum 3-year postgraduate experience for doctors), the capacity of the clinic, the reputation of the doctors or services providers, whether they have purchased professional indemnity insurance, the validity of their professional license and their track record (e.g. whether there are any medical council sanctions, criminal convictions and professional misconduct).

For existing Affiliated Doctors and Affiliated Auxiliary Services Providers, we monitor on an ongoing basis whether any complaints on their services are made by Plan Members or Self-paid Patients and we also conduct regular checks on the validity of their professional registrations or licences where applicable.

All practising Registered Medical Practitioners and practising Registered Dental Practitioners in Hong Kong are required to be registered with the Medical Council of Hong Kong and the Dental Council of Hong Kong respectively. Dental Hygienists are required to be admitted to practise pursuant to the Ancillary Dental Workers (Dental Hygienists) Regulations (Chapter 156B of the Laws of Hong Kong). Traditional Chinese medicine practitioners are also required to be registered with the Chinese Medical Council of Hong Kong. In addition, all Doctors, Dentists, Dental Hygienists and traditional Chinese medicine practitioners have to comply with the relevant code of professional conducts applicable to them.

In order to enhance our service quality and customers' loyalty, we have also set up a customer service hotline and a compliant handling mechanism whereby any enquiries and complaints from our customers are handled by our customer services team. Complaints will be reported to our management for follow-up in order to ascertain customers' experience and expectations. This system enables us to improve our services to meet customers' needs.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints or requests for any kind of compensation from our customers due to quality issue in relation to services provided by our Group or through our MediNet Network.

## **OCCUPATIONAL HEALTH AND SAFETY**

We believe that the health and safety of our staff are crucial to our Group. Internal policies have been implemented including procedures and guidelines in relation to handling equipment and medical waste. We also maintain a record of all workplace accidents.

## BUSINESS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, none of our staff has been affected by any material accident in the course their employment and we have not been subject to any disciplinary actions with respect to occupational safety.

### ENVIRONMENTAL COMPLIANCE

Our Group's operations are subject to certain environmental requirements pursuant to the laws of Hong Kong, including primarily those in relation to clinical waste disposal. For details, please refer to the section headed "*Regulatory overview — Legislation and regulation — Waste Disposal Ordinance*" in this prospectus. For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our Group's total costs of compliance with applicable environmental laws and regulations were approximately HK\$13,000, HK\$13,000 and HK\$8,000 respectively. The annual costs of compliance going forward are expected to be at a level similar to that during the Track Record Period and consistent with our scale of operations.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

### INSURANCE

According to our Group's policy, MediNet Doctors, Dentists, external dentists engaged by us, Affiliated Doctors and certain Affiliated Auxiliary Services Providers are required to maintain their own professional indemnity insurance against legal costs and compensation payments involved in clinical negligence claim (where such insurances coverage are usually subject to certain limitations including criminal proceedings and fraud allegations that are excluded from the scope of such indemnity).

In addition, our Group maintains (i) a general office package insurance policy with coverage against, among other matters, accidental loss of or damage to the contents and equipment at our premises including our head office, MediNet Centres and Dental Clinics, business interruption, general public liability, and employees' compensations (as required under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)); (ii) motor vehicles insurance policies for our owned motor vehicles; and (iii) a fire insurance policy for our owned residential property (which had been disposed of as at the Latest Practicable Date, details of which are set out in the paragraph headed "*Properties — Owned property during the Track Record Period*" below in this section).

Our Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice.

### EMPLOYEES

#### Number of employees by function

As at the Latest Practicable Date, we had 68 employees (including our two executive Directors but excluding our three independent non-executive Directors). All of our employees are stationed in Hong Kong.

## BUSINESS

Set out below is a breakdown of the number of our employees by functions as at 31 March 2014 and 2015 and the Latest Practicable Date:

	As at 31 March 2014	2015	As at the Latest Practicable Date
Directors and senior management	6	6	6
Dental Clinics operation:			
— Dentists	10	10	10
— Dental Hygienists	4	4	3
— Dental nurses	13	12	14
— Other supporting staff	12	12	12
MediNet Centres operation:			
— MediNet Doctors ( <i>Note 1</i> )	3	3	—
— Nurses	4	6	7
— Other supporting staff	3	3	3
Other supporting staff ( <i>Note 2</i> )	11	10	15
<b>Total (<i>Note 3</i>)</b>	<b>64</b>	<b>64</b>	<b>68</b>

*Note 1: Effective from 1 November 2015, we have ceased to directly employ our MediNet Doctors and have instead entered into a MediNet Doctors Agreement with each of our three MediNet Doctors. For details, please refer to the paragraph headed “Compliance and legal proceedings — MediNet Doctors Agreements” below in this section.*

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

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

### Professional staff

The tables below set out the retention rates of our MediNet Doctors, Dentists, Dental Hygienists and other professional staff (i.e. nurses) during the Track Record Period:

	FY2013/14	FY2014/15	Nine-month period ended 31 December 2015
MediNet Doctors	66.7%	100.0%	100.0%
Dentists	100.0%	90.0%	80.0%
Dental Hygienists	50.0%	100.0%	25.0%
Other professional staff	64.7%	70.6%	61.1%
Overall	73.5%	82.4%	65.7%

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In the above table, the retention rate is calculated based on the total number of relevant staff at the end of the year/period minus the total number of newly employed staff in that category during the year/period, and then divided by the total number of staff in that category at the beginning of the year/period, then multiplied by 100.

During the Track Record Period and up to the Latest Practicable Date, none of our MediNet Doctors, Dentists and Dental Hygienists and other professional staff were involved in any material medical incidents, disciplinary actions and/or investigations by the Medical Council or Dental Council which led to a suspension of their ability to practise medicine or dentistry. Although our MediNet Doctors and Dentists have not provided indemnity in favour of our Group pursuant to their respective employment contracts, our Group requires, according to our Group's policy, that MediNet Doctors and Dentists shall maintain their own professional indemnity insurance so long as they are employed by us.

### **Relationship with staff**

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant problems with our employees or any disruption to our operations due to labour disputes nor have we experienced any material difficulties in the recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

At the Latest Practicable Date, approximately one-third of our employees have been working in our Group for over 10 years. In addition, as at the Latest Practicable Date, each of our senior management members (including Ms. Li Christine, Ms. Ngan Pui Shan, Jane, Mr. Wong Siu Kay, and Ms. Chung Mei Shu, Pinky, whose background and experience are set out in the section "Directors and senior management" in this prospectus) has joined our Group for at least 18 years.

### **Training and recruitment policies**

We generally recruit our employees from the open market. We mainly place recruitment advertisements for recruitment purpose. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We encourage our MediNet Doctors, Dentists, Dental Hygienists and other professional medical and dental staff to participate in continuous training and observe any relevant rules, guidelines and advice that may from time to time be issued by the Medical Council of Hong Kong and the Dental Council of Hong Kong respectively. In addition, our MediNet Doctors and Dentists are given orientation packages when they initially join our Group in order to ensure they familiarise themselves with our Group's corporate vision, policies and procedures.

### **Remuneration policy**

The remuneration package that our Group offers to employees includes salary, bonuses and other cash subsidies. In general, our Group determines employees' salaries based on each employee's qualifications, 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. After Listing, the performance of our employees will be assessed by an annual review system, which will form the basis of our decisions with respect to salary rises, bonuses and promotions.

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## PROPERTIES

### Leased properties

At present, we do not own any property and we have leased the following properties for our operations:

Location	Gross floor area ( <i>sq.ft.</i> )	Lessor	Usage	Monthly rental under the current tenancy agreement (exclusive of Government rates, management fees, air-conditioning charges and other outgoings)	Expiry of the current tenancy agreement and details of any early termination clause	Details of any options granted to our Group to extend the tenancy agreement upon expiry	Status of negotiation for renewal of the tenancy agreement
7/F, KP Tower, 93 King's Road, North Point, Hong Kong	1,943	Independent third party	Head office	HK\$48,575	November 2017. Each of the landlord and the tenant shall have an option to terminate the tenancy agreement at any time after the expiration of twelve months from 27 November 2015 (being the commencement date of the term of such agreement) by giving to the other party two calendar months' prior notice in writing of its intention to do so (such written notice should only be served after the expiration of the first twelve months of the term of the agreement).	Nil	Not yet commenced
Unit 2205, 22/F, Tower 1, Millennium City, Kwun Tong	1,074	Independent third party	Dental Clinic	HK\$31,683	April 2019. The landlord shall be entitled to terminate the tenancy agreement at any time by giving not less than six months' notice in writing to the tenant of its intention to do so if the landlord resolves to sell or redevelop or demolish or rebuild or refurbish or renovate the premises, the building or any part(s) thereof.	Nil	We have commenced negotiation with the landlord's agent since December 2015. As of the Latest Practicable Date, a tenancy agreement was entered into between the Group and the landlord in January 2016 for a term of 3 years with an increase in the monthly rental by approximately 14%.
Unit 1513, 15/F, Hong Kong Pacific Centre, 28 Hankow Road, Tsim Sha Tsui	1,172	Independent third party	Dental Clinic	HK\$48,200	July 2017. The landlord shall be entitled to terminate the tenancy agreement by giving not less than six calendar months' notice in writing to the tenant if at any time during the term of such agreement the landlord shall decide to redevelop, renovate, refurbish or redesign the building or any part thereof or shall sell, assign or enter into any agreement for the sale or assignment of the whole or any part of the building which includes the premises.	Nil	Not yet commenced

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Location	Gross floor area (sq.ft.)	Lessor	Usage	Monthly rental under the current tenancy agreement (exclusive of Government rates, management fees, air-conditioning charges and other outgoings)	Expiry of the current tenancy agreement and details of any early termination clause	Details of any options granted to our Group to extend the tenancy agreement upon expiry	Status of negotiation for renewal of the tenancy agreement
Room 1819, 18/F, Hollywood Plaza, 610 Nathan Road, Mong Kok	558	Independent third party	Dental Clinic	HK\$21,000 for the period up to 31 October 2016 and HK\$23,000 for the period from 1 November 2016 to 31 October 2017	October 2017. The landlord shall be entitled to terminate the tenancy agreement by serving on the tenant six months' notice in writing if at any time during the term of such agreement the landlord shall enter into a contract for the sale of the building or any part thereof or resolve to redevelop, demolish, refurbish or otherwise renovate the building or any part thereof which shall include the premises.	Nil	Not yet commenced
Unit 1206, 12/F, Island Centre, 1 Great George Street, Causeway Bay	1,066	Independent third party	Dental Clinic	HK\$36,000	December 2016. No early termination clauses save for (i) the breach and/or non-performance by the tenant of certain provisions under the tenancy agreement as a result of which the landlord is entitled to terminate such agreement by serving written notice on the tenant; and (ii) in the event of the premises or any part thereof at any time during the term being rendered or becoming inaccessible or unfit for occupation or use (not attributable to the act or default of the tenant) and the premises not being reinstated and rendered accessible or fit for occupation and use, the tenant may at any time after 3 months from the occurrence of such event give to the landlord notice in writing to terminate the tenancy.	Nil	Not yet commenced

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Location	Gross floor area (sq.ft.)	Lessor	Usage	Monthly rental under the current tenancy agreement (exclusive of Government rates, management fees, air-conditioning charges and other outgoings)	Expiry of the current tenancy agreement and details of any early termination clause	Details of any options granted to our Group to extend the tenancy agreement upon expiry	Status of negotiation for renewal of the tenancy agreement
13/F, 10 Pottinger Street, Central, Hong Kong	1,963	Independent third party	Dental Clinic and MediNet Centre	HK\$62,816	July 2016. No early termination clauses save for the breach and/or non-performance by the tenant of certain provisions under the tenancy agreement as a result of which the landlord is entitled to terminate such agreement by serving written notice on the tenant.	Nil	We have commenced negotiation with the landlord since December 2015. As of the Latest Practicable Date, a tenancy agreement has been entered into between the Group and the landlord in January 2016, where the new monthly rental represents an increase of approximately 19% and the term of tenancy is 6 months. Our Directors consider that a short-term tenancy is appropriate having regard to our plan to relocate our Dental Clinic and MediNet Centre in Central as discussed in the section headed “ <i>Future plans and use of proceeds</i> ” in this prospectus.
Suites 1211–12, Ocean Centre, Harbour City, Tsim Sha Tsui	2,629	Independent third party	MediNet Centre	HK\$126,192	December 2018. The landlord shall be entitled to terminate the tenancy agreement by giving six clear calendar months’ notice in writing to the tenant if at any time during the tenancy the landlord shall enter into a contract for the sale of the building or of any part thereof which shall include the premises or if the landlord shall resolve to redevelop the building or any part thereof whether wholly by demolition and rebuilding or otherwise, or partially by renovation, refurbishment or otherwise.	Nil	Not yet commenced

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### Owned property during the Track Record Period

During the Track Record Period, Well Being Dental owned a residential property located at House 57, Cedar Drive, Redhill Peninsula, Tai Tam, Hong Kong. Such residential property was purchased by Well Being Dental in June 2009 for use as the residence of Mr. Chan and Ms. Jiang. It was pledged as security for mortgage loan with an outstanding principal amount of approximately HK\$20.2 million, HK\$19.1 million and nil as at 31 March 2014, 31 March 2015 and 31 December 2015 respectively. For further information regarding our borrowings, please refer to the section headed “*Financial information — Indebtedness*” in this prospectus.

On 12 August 2015, Well Being Dental entered into a sale and purchase agreement with a property holding company owned by Mr. Chan and MediNet Holdings (which in turn is a company 100% beneficially owned by Mr. Chan) for the disposal of such residential property by Well Being Dental to the aforesaid property holding company for a consideration of HK\$83.5 million. The consideration was determined with reference to the market value of the residential property as assessed by an independent valuer. Completion of the disposal of the residential property took place on 15 October 2015.

### Property valuation

As disclosed in the above, Well Being Dental had disposed of a residential property on 15 October 2015 and as at the date of disposal, the market value of such residential property was HK\$83.5 million as assessed by Assets Appraisal Limited, an independent property valuer. For further details, please refer to the property valuation set out in Appendix IV to this prospectus.

## INTELLECTUAL PROPERTY

### Trademarks

As at the Latest Practicable Date, we applied for the registration of the following trade marks in Hong Kong, the registrations of which are still in process:

Trademark	Applicant	Classes	Place of application	Application no.	Application date
	Our Company	10, 44	Hong Kong	303609856	26 November 2015
	MediNet Health Centre	10, 44	Hong Kong	303609874	26 November 2015
	MediNet Services	10, 44	Hong Kong	303609865	26 November 2015
	Men's Health Solutions	10, 44	Hong Kong	303609847	26 November 2015
	Well Being Dental	10, 44	Hong Kong	303776202	16 May 2016

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### Domain names

As at the Latest Practicable Date, our Group is the owner of the following domain names which are material to the business of our Group for use in our email system and/or website operations:

Registered owner	Domain name	Registration date	Expiry date
Our Company	medinetgroup.com	5 November 2015	5 November 2016
MediNet Services	medinet.com.hk	29 October 1998	6 June 2018
Men's Health Solutions	mhs.hk	19 October 2005	20 October 2016
Well Being Dental	wbsbeauty.com	9 March 2013	8 March 2017
Well Being Dental	wellbeing.com.hk	21 June 1999	Null

Save for the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registration) that are significant to our business operations or financial positions.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against any members of our Group in relation to any material infringement of intellectual property rights of third parties.

### RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

### COMPLIANCE AND LEGAL PROCEEDINGS

#### Compliance with laws and regulations

During the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our business and financial condition taken as a whole.

#### Criminal conviction in 2007

In October 2006, Men's Health Solutions received a letter from the Department of Health of the Government which warned Men's Health Solutions that the advertising on its website may be in breach of the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) (the "UMAO"). Such advertising was related to certain treatment for male sexual dysfunction. Based on the relevant court documents, Men's Health Solutions submitted to the court that it had, after receiving the said warning letter, done its best to change its advertisements in order to comply with the provisions of the UMAO. Despite this, in May 2006, without any further warning or notice of any kind, Men's Health Solutions was served a summons charging it with the criminal offence of causing an undesirable medical advertisement to be published, contrary to the provisions of section 3(1)(b) of the UMAO.

## BUSINESS

Section 3(1)(b) of the UMAO requires that no person shall publish, or cause to be published, any advertisement likely to lead to the use of any medicine, surgical appliance or treatment for treating human beings for any purposes specified in schedule 2 to the UMAO, which include, among other things, the promotion of sexual virility, desire or fertility.

Subsequently, Men's Health Solutions made an application to the High Court for judicial review seeking (i) a declaration that section 3 of the UMAO is invalid on the ground that it is *ultra vires* and offends the constitutionally protected right of freedom of expression; and (ii) an order of *certiorari* to strike down the decision of the Department of Health of the Government to recommend prosecution on the ground that the decision was wrong in law and *Wednesbury* unreasonable. However, by a judgement dated 15 March 2007, the High Court dismissed the application for judicial review.

In relation to the aforesaid summons, Men's Health Solutions was convicted in the Kwun Tong Magistrates' Courts on 13 August 2007 and was fined HK\$4,000, which had already been paid by Men's Health Solutions.

As advised by our Directors, Men's Health Solutions had subsequently taken remedial actions by amending the advertising on its website for compliance with section 3(1)(b) of the UMAO. Our Directors confirmed that since the conviction and up to the Latest Practicable Date, our Group had not received any similar warning letters from the Department of Health of the Government or any summonses charging it with similar offence.

Our Directors consider that the aforesaid non-compliance with the relevant provisions of section 3(1)(b) of the UMAO by Men's Health Solutions was caused by our lack of an adequate and accurate understanding of the relevant requirements of the UMAO.

In order to prevent similar non-compliance, we have implemented the following internal control measures:

- (i) our Directors have been made aware of the relevant requirement under the UMAO; and
- (ii) before adding or making amendments to the contents of our websites in relation to our services offered, we shall seek competent legal advice to confirm that the new contents or amendments are in compliance with the relevant requirements of the UMAO and other applicable laws and regulations.

Our Directors consider that there had been no material adverse impact on our Group's business or financial position or prospect as a result of the conviction because:

- (i) Men's Health Solutions was fined only HK\$4,000;
- (ii) the conviction was more than 8 years ago;
- (iii) after amending the advertising on the website, our Group had not received any similar warning letters or summons for more than 8 years after the conviction;
- (iv) Men's Health Solutions continued to carry on its operation in relation to the provision of men's health treatments during the Track Record Period; and

- (v) our Group's revenue derived from men's health treatments amounted to approximately HK\$5.8 million, HK\$9.5 million, and HK\$7.2 million for FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 respectively, representing approximately 7.5%, 11.0% and 10.7% of our Group's total revenue respectively.

### **Litigation, claims and arbitration**

As at Latest Practicable Date, none of our Company nor any members of our Group (i.e. MediNet BVI, MediNet Health Centre, MediNet Services, Well Being Dental, Men's Health Solutions) was engaged in any litigation, claim or arbitration of material importance nor, to the best of our Directors' knowledge, is any litigation, claim or arbitration of material importance pending or threatened against our Company or any members of our Group (i.e. MediNet BVI, MediNet Health Centre, MediNet Services, Well Being Dental, Men's Health Solutions).

### **MediNet Doctors Agreements**

Prior to 1 November 2015, our MediNet Doctors were directly employed by MediNet Health Centre to provide medical services at our MediNet Centres (the "pre-existing structure"). Having considered the relevant provisions under the Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong), the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong), the Code of Professional Conduct for the Guidance of Registered Medical Practitioners issued by the Medical Council of Hong Kong, as well as certain additional factors identified by the Senior Counsel in connection with the present legislative regime relating to the pre-existing structure, the Senior Counsel is of the view that the pre-existing structure is not in contravention of any existing laws, regulations and codes in Hong Kong, having considered, among other matters, that the medical treatments and services provided at the MediNet Centres are carried out by our MediNet Doctors (who are Registered Medical Practitioners) in private consulting rooms, and as such, the MediNet Centres may fall within one of the statutory exemptions under the Medical Clinics Ordinance which exempts the provision of medical service in "private consulting rooms used exclusively by registered medical practitioners in the course of their practice on their own account" from the registration requirement.

The Senior Counsel has however noted that there are certain ambiguity and uncertainty in the present legislative regime which may result in a possible argument that the MediNet Doctors employed by MediNet Health Centre (rather than practising as a sole proprietor or in a partnership) may not be considered to be practising "on their own account" and therefore the MediNet Centres may not fall clearly within the aforesaid statutory exemption. The Senior Counsel considered that such uncertainty may have resulted from the fact that, at the time of the enactment of the Medical Clinics Ordinance, it simply never occurred to the legislature that there would be a third kind of medical provider structure (consisting of Registered Medical Practitioners only) which is neither a sole proprietorship nor a partnership (where both such cases would fall clearly within the statutory exemption).

Our Directors, having considered the legal opinion of the Senior Counsel relating to the said ambiguity in the Medical Clinics Ordinance, consider that it would be prudent to terminate the employments with our MediNet Doctors and to, instead, enter into a MediNet Doctors Agreement with each of our MediNet Doctors such that the provision of medical services at our MediNet Centres are conducted through the managed practices of our MediNet Doctors which are owned and controlled by our MediNet Doctors in the form of sole proprietorships (the "**managed practices**"). As a result, the possible uncertainty discussed above regarding the use of a corporate entity rather than sole

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proprietorship or partnership can be removed. Taking into account the above factors as well as the current state of law in this area, the Senior Counsel is of the view that such revised structure will comply with such existing laws, regulations and codes in Hong Kong.

As set out in the MediNet Doctors Agreement, each of the MediNet Doctors will provide, among others, the following services to our Group:

- (a) each of the MediNet Doctors shall himself devote no less than 188 hours per month at the MediNet Centres at which the general medical practices (the “**Practices**”) are carried on by each of the MediNet Doctors in accordance with the duty rosters; and
- (b) each of the MediNet Doctors shall carry on the Practices at the MediNet Centres under the proprietary names of our Group and to display the placard of “MediNet Health Centre Ltd” at all the MediNet Centres in the manner and use the same letterhead and the same logo and style on his stationary materials as specified and approved by our Group and in accordance with the relevant leases or tenancy agreements of the MediNet Centres from time to time.

As set out in the MediNet Doctors Agreement, our Group will provide, among others, the following services to each of the MediNet Doctors:

- (a) all staff, including, medical assistants and other administrative staff but, for the avoidance of doubt, excluding Registered Medical Practitioners, employed by our Group that is required for the carrying on of the Practices.
- (b) the medical equipment and any other ancillary equipment (and user manuals and update information relating thereto), office furniture, fixtures and fittings and any other leasehold improvement including, without limitation, the renovation and decoration of the premises of the MediNet Centres as is suitable for the conduct of the Practices and other assets appropriate for the MediNet Centres as required by each of the MediNet Doctors.
- (c) the following additional services:
  - (i) assisting each of the MediNet Doctors to monitor his administrative and financial performance;
  - (ii) maintaining an ongoing review of the consultation and diagnostic fees and related charges in the market place generally in Hong Kong;
  - (iii) maintaining an ongoing review of market opportunities and requirements for medical services in Hong Kong, in relation to the appropriate opening, relocation or closing of the MediNet Centres and in respect of changing expectations related to patients care and services;
  - (iv) advising generally on the management, operation, maintenance and enhancement of, and assist in promoting, the Practices (including supplying, to the extent permissible under applicable law, patient connections and records);

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- (v) updating the knowledge of each of the MediNet Doctors on developments in the medical field including providing internal audit and training seminars, and making arrangements for each of the MediNet Doctors to attend the relevant conferences and trainings; and
- (vi) cash management services, including without limitation, collecting consultation and laboratory fees and prescription charges from each of the MediNet Doctors and depositing them into the bank on a regular basis and arranging for settlement of bills for each of the MediNet Doctors;
- (d) (i) the use of premises as required for the conduct of the Practices, where appropriate, obtaining the relevant consent and/or executing all necessary documents and doing all such acts as are necessary to sub-let or license the premises to each of the MediNet Doctors for the conduct of the Practices; and
- (ii) assisting each of the MediNet Doctors in the negotiation of any lease or renewal of any lease for premises as required for the conduct of the Practices;
- (e) the proper maintenance of such medical equipment provided to each of the MediNet Doctors and the general maintenance and upkeep of such premises provided to each of the MediNet Doctors;
- (f) the centralised procurement and general management of medicines and drugs from time to time so far as permissible by the laws as and when required by each of the MediNet Doctors for him (for the avoidance of doubt, under the arrangements contemplated under this clause, only the economic risks and benefits of the medicines and drugs remain at our Group), including:
  - (i) implementing the procurement plan agreed between each of the MediNet Doctors and our Group in relation to the ordering of medicines and drugs which have been approved by our Group for and on behalf of each of the MediNet Doctors for the best interests of his patients (such approval shall not be unreasonably withheld so long as the medicines and drugs in question are used for the purpose of medical treatment);
  - (ii) the settlement of any invoice in respect of any medicines and drugs ordered; and
  - (iii) updating each of the MediNet Doctors on the inventory level of the medicines and drugs maintained and managed by our Group; and
- (g) the following administrative services to the extent that our Group has the necessary resources:
  - (i) all financial management services that our Group and each of the MediNet Doctors shall consider appropriate for the proper conduct and operation of the Practices and all necessary advice and guidance in respect thereof;
  - (ii) such services as are necessary to assist each of the MediNet Doctors to maintain proper accounting books and records and all other ancillary accounting services;

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- (iii) all company secretarial, personnel and administrative services as are required by each of the MediNet Doctors to carry on the Practices;
  - (iv) all information technology services, including advising each of the MediNet Doctors on, and assisting in the setting up or acquisition of, computer hardware and software and database as required by each of the MediNet Doctors including the setting up of the management information system for patients' records of the Practices;
  - (v) such support services and guidance as are necessary to assist each of the MediNet Doctors marketing and/or publications from time to time;
  - (vi) the use of all ancillary equipment and services in conjunction with the provision of the relevant services;
  - (vii) the supply of other non-medical and non-para-medical staff required by each of the MediNet Doctors in order to carry on the Practices; and
  - (viii) such reasonable assistance as required by each of the MediNet Doctors to apply for a renew of his practicing certificate; and
- (h) such other services as may be agreed between our Group and each of the MediNet Doctors, including but not limited to temporary redeployment of each of the MediNet Doctors and/or temporary engagement of additional Registered Medical Practitioners due to causal changes of the duty rosters.

Pursuant to the original employment agreements with our MediNet Doctors, our MediNet Doctors were entitled to receive remunerations mainly comprising (i) a predetermined monthly salary; and (ii) a certain percentage of walk-in patient consultation fees and fees generated from operations performed at our MediNet Centres.

Pursuant to the MediNet Doctors Agreements which are effective from 1 November 2015, our MediNet Doctors (through their respective managed practices) shall provide medical services at our MediNet Centres and we shall provide a variety of management and administrative services to the managed practices, such that (i) we shall charge each of the managed practices of our MediNet Doctors a fee for our management and administrative services whereby such fee shall be equivalent to all fees received by the managed practices in connection with the provision of medical services at our MediNet Centres and we shall be entitled to all such fees forthwith upon such fees have been received by the managed practices from Self-paid Patients; and (ii) our MediNet Doctors (through their respective managed practices) shall be entitled to receive professional fees for the provision of medical services at our MediNet Centres, comprising (i) a monthly reward to be calculated by reference to the actual attendance rates which shall then capped at a certain amount (i.e. actual total numbers of hour devoted per month over committed monthly hours as stipulated in the respective MediNet Doctors Agreement); and (ii) a certain percentage of walk-in patient consultation fees and fees generated from operations performed at our MediNet Centres. In short, the Directors are of the view that the aforesaid reward-paying and service fee-charging mechanism under the MediNet Doctors Agreements has been structured to resemble the previous entitlements of our MediNet Doctors under their respective original employment agreements with us.

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With respect to the custody and record keeping of drugs and medicines, during the Track Record Period and going forward, the responsibility of the custody and record keeping of all the drugs and medicines at each MediNet Centres and Dental Clinics lies with the Group, the MediNet Doctors and Dentists. Responsibilities for the MediNet Doctors and Dentists cover the monitor and supervision of drug procurement and stock management, while the Group retains the responsibility for the safe and proper storage of the drugs and medicines to ensure the dispensary design and equipment are adequate for the purpose of dispensing. As confirmed by our Directors, there are certain medical and dental supplies used in our MediNet Centres and Dental Clinics that fall into the scope of the Pharmacy and Poisons Ordinance, the Antibiotics Ordinance and the Dangerous Drugs Ordinance. Pursuant to the aforesaid Ordinance, among other requirements, (i) drugs and medicines which are supplied by a Registered Medical Practitioner for the purposes of medical treatment and by a Registered Dental Practitioner for the purposes of dental treatment are distinctly labelled with the name and address of the person by whom it is supplied or dispensed; (ii) written records of treatment or other document relating to the supply of such drugs and medicines are maintained by the Registered Medical Practitioners and Registered Dental Practitioners; (iii) such drugs and medicines are stored in appropriate containers under the supervision of Registered Medical Practitioners and Registered Dental Practitioners either in cupboards or drawers, or on shelves, reserved for the storage of such medicines; and (iv) drugs that fall into scope of the Antibiotics Ordinance are only sold, supplied or administered by way of treatment by designated person including among others, a Registered Medical Practitioner or Registered Dental Practitioner or persons acting in accordance with the directions of such Registered Medical Practitioners or Registered Dental Practitioners at our MediNet Centres or Dental Clinics.

MediNet Doctors/Dentists, through the designated nurse(s), monitor the stock level and condition of the drugs and medicines maintained at the respective MediNet Centres/Dental Clinics, and will apply to us by written forms for the procurement of the relevant drugs and medicines as and when needed, taking into account, among other factors, the existing stock level and estimation on consumption. We centralise and keep record of the procurement of the drugs and medicines based on the orders received from the MediNet Doctors and Dentists. For the proper custody and record keeping of all the drugs and medicines, we have implemented and will continue to implement relevant policies at each MediNet Centres and Dental Clinics, including but not limited to, (i) drugs and medicines that are, among others, relatively expensive/hazardous are required to be stored at locked places; (ii) surveillance cameras are installed at each MediNet Centres and Dental Clinics to prevent thievery of drugs and medicines; and (iii) patient records of dispensed drugs and procurement records to be retained by the Group.

As advised by the HK Legal Advisers, our MediNet Doctors and Dentists, being Registered Medical Practitioners and Registered Dental Practitioners, have discharged their respective obligations in relation to drug storage and record keeping under the Pharmacy and Poison Ordinance, the Antibiotics Ordinance and the Dangerous Drugs Ordinance during the Track Record Period.

Based on the foregoing, our Directors consider that the MediNet Doctors Agreements confer on our Group substantially the same rights over our business of our MediNet Centres operations as if there had been no substantive change to the substance of our Group's business process and the economic aspects of our Group's MediNet Centres operations because our Group's risk and rewards of, and control over, the running of business of our MediNet Centres operation remain substantially unchanged after entering into the MediNet Doctors Agreements. It should also be noted that our revenue derived from

## BUSINESS

our operation of our MediNet Centres (i.e. the provision of medical services to Self-paid Patients) accounted for approximately 11.6%, 15.1% and 16.2% of our Group's total revenue for each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 respectively.

In addition, based on the arrangements under the MediNet Doctors Agreements, the Senior Counsel considers that on balance, the MediNet Doctors are not regarded as our Group's employees pursuant to the applicable rules and regulations of Hong Kong (e.g. the Employment Ordinance) after taking into account several precedent cases and, in particular, the fact that each MediNet Doctor will be providing medical services as a person in business on his own account pursuant to the arrangements under the MediNet Doctors Agreements.

For the avoidance of doubt, the Senior Counsel is of the view that the employment of our Dentists by Well Being Dental to provide dental services at our Dental Clinics complies with the relevant provisions of the Dentists Registration Ordinance given that Well Being Dental is a body corporate carrying on no business other than dentistry (or some business ancillary to the business of dentistry) and a majority of the directors and all persons practicing dentistry are registered dentists. Based on the legal opinions of the Senior Counsel, our Directors consider that there are no uncertainty or ambiguity in the legislative regime in this connection which would warrant any change in the employment arrangement with our Dentists similar to those discussed above in relation to our MediNet Doctors.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

The Board currently consists of five Directors comprising two executive Directors and three independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. CHAN Chi Wai Nelson (陳志偉)	59	29 March 1994 (as the founder of our Group)	20 August 2015	Executive Director, chairman of the Board, general manager and compliance officer	Overall business development and financial and strategic planning of our Group	Spouse of Ms. Jiang
Ms. JIANG Jie (姜洁)	34	11 September 2009	20 August 2015	Executive Director	Business development and customer relationship management	Spouse of Mr. Chan
Dr. LIEU Geoffrey Sek Yiu (廖錫堯)	66	19 May 2016	19 May 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil
Mr. LEUNG Po Hon (梁寶漢)	52	19 May 2016	19 May 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil
Mr. WONG Wai Leung (黃偉樑)	38	19 May 2016	19 May 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

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

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

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

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

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

### Independent non-executive Directors

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

## DIRECTORS AND SENIOR MANAGEMENT

Dr. Lieu currently holds a number of adjunct and visiting academic appointments, including Adjunct Associate Professor of the School of Public Health of the University of Minnesota, the United States and the Program Director of the Master of Science in Health Services Management Program and a visiting fellow of the Department of Management and Marketing of the Hong Kong Polytechnic University.

Dr. Lieu was previously a director of Fortius Healthcare Group Limited (豐健醫療集團有限公司) (formerly known as Fortius Healthcare Group Limited (富健醫療集團有限公司)), which was incorporated in Hong Kong on 8 December 2004 and was dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance on 12 July 2013 following an application for deregistration filed on 22 February 2013 due to cessation of business. Dr. Lieu was also previously a director of ISP Asia Limited, which was incorporated in Hong Kong on 19 May 2005 and was dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance on 24 December 2010 following an application for deregistration filed on 4 August 2010 due to cessation of business.

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

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

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

Mr. Leung was previously a director of Immunotherapy Research Institute Limited (免疫治療研究所有限公司) (formerly known as Advance Regal Limited (創泰有限公司)), which was incorporated in Hong Kong on 2 July 2003 and was dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance on 12 November 2004 following an application for deregistration filed on 6 July 2004 due to cessation of business.

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

Company	Stock code	Position currently held by Mr. Leung	Appointment date
Success Dragon International Holdings Limited	1182	Independent non-executive director	16 July 2015
Flying Financial Service Holdings Limited	8030	Independent non-executive director	15 August 2014

## DIRECTORS AND SENIOR MANAGEMENT

Company	Stock code	Position currently held by Mr. Leung	Appointment date
Kingbo Strike Limited	1421	Independent non-executive director	13 November 2015
Winfoong International Limited	63	Independent non-executive director	6 November 2015

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

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

**Mr. WONG Wai Leung (黃偉樑)**, aged 38, was appointed as an independent non-executive Director on 19 May 2016. Mr. Wong is currently an executive director, the chief financial officer and company secretary of Qinqin Foodstuffs Group (Cayman) Company Limited, a company principally engaging in the manufacturing, distribution and sale of food and snacks products in the PRC, since March 2016 up to the present and is responsible for corporate development, investment, accounting and financial matters. He is also a director of Lianjie Sports Investments Limited, a private company which manages investments and trusts for a family office. Mr. Wong also serves as a board member of Hong Lok Yuen International School Association Limited and International College Hong Kong Limited, which operate certain international schools in Hong Kong. He was previously employed by Ernst & Young Hong Kong from September 2000 to August 2009. He has been a member of the HKICPA since July 2004 and a fellow member of the Association of Chartered Certified Accountants since September 2010.

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

### **Disclosure required under Rule 17.50(2) of the GEM Listing Rules**

Save as disclosed above, each of our Directors confirms with respect to him/her that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed in the section “*Further information about our Directors management, staff, experts and Substantial Shareholders*” in Appendix VI to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table sets out the information regarding the senior management team of our Group:

Name	Age	Date of joining our Group	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Ms. LI Christine (李依皓)	42	7 August 1995	Assistant general manager	Overall management of our day-to-day operations and implementation of business strategies	Nil
Ms. NGAN Pui Shan, Jane (顏佩珊)	41	16 September 1996	Financial controller	Financial reporting, financial planning, treasury and financial control	Nil
Mr. WONG Siu Kay (黃兆基)	45	5 July 1997	Dentist and a director of Well Being Dental	Operation of Dental Clinics and provision of dental services	Nil
Ms. CHUNG Mei Shu, Pinky (鍾美好)	45	7 October 1996	Dentist and a director of Well Being Dental	Operation of Dental Clinics and provision of dental services	Nil

The business address of the senior management team of our Group is 7/F, KP Tower, 93 King's Road, North Point, Hong Kong.

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

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

**Mr. WONG Siu Kay (黃兆基)**, aged 45, is one of our Dentists and a director of Well Being Dental. He is primarily responsible for the operation of our Dental Clinics and the provision of dental services. He joined our Group in July 1997 and has since then accumulated more than 18 years of experience in the operation of our Group. He has been a Registered Dental Practitioner since August

## DIRECTORS AND SENIOR MANAGEMENT

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.

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

### COMPANY SECRETARY

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

### COMPLIANCE OFFICER

**Mr. CHAN Chi Wai Nelson (陳志偉)**, was appointed as the compliance officer of our Company on 19 May 2016. Please refer to the paragraph headed “*Directors*” above in this section for the profile of Mr. Chan.

### REMUNERATION POLICY

After Listing, our Directors and senior management members will receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group will also reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group will regularly review and determine the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group.

## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no emoluments were paid by our Group to Mr. Chan or Ms. Jiang as fees, salaries and allowances, performance related incentive payments, or retirement benefit schemes contributions.

During the Track Record Period, no emoluments were paid by our Group to our Directors as an inducement to join or upon joining our Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments during the Track Record Period.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<b>Executive Directors</b>	
Mr. Chan	180,000
Ms. Jiang	180,000
<b>Independent non-executive Directors</b>	
Dr. Lieu Geoffrey Sek Yiu	180,000
Mr. Leung Po Hon	180,000
Mr. Wong Wai Leung	180,000

For FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our Group's five highest paid individuals included none of our executive Directors. The table below sets out the emoluments of our five highest paid individuals for each of the FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended</b>	
			<b>31 December</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2014</b>	<b>2015</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Salaries and allowances	4,798	5,526	4,197	4,544
Contribution to retirement benefit scheme	<u>75</u>	<u>88</u>	<u>65</u>	<u>61</u>
	<u><u>4,873</u></u>	<u><u>5,614</u></u>	<u><u>4,262</u></u>	<u><u>4,605</u></u>

## DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the five highest paid individuals fell within the following bands:

Emolument bands (in HK\$)	Number of individuals			
	FY2013/14	FY2014/15	Nine-month period ended 31 December 2014 (unaudited)	
			2014	2015
Nil–HK\$1,000,000	3	2	4	3
HK\$1,000,001–HK\$1,500,000	2	3	1	2
	5	5	5	5

During the Track Record Period, no emoluments were paid by our Group to the above highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office as a director or management of any members of our Group.

### BOARD COMMITTEES

#### Audit committee

Our Company established an audit committee on 19 May 2016 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

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.

#### Remuneration committee

Our Company established a remuneration committee on 19 May 2016 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our Company's senior management and to recommend members of the Board.

The remuneration committee of our Company comprises one executive Director, namely, Mr. Chan Chi Wai Nelson and two independent non-executive Directors, namely Mr. Leung Po Hon and Mr. Wong Wai Leung. Mr. Wong Wai Leung currently serves as the chairman of the remuneration committee.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **Nomination committee**

Our Company established a nomination committee on 19 May 2016 with its written terms of reference by reference to the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of our Company comprises one executive Director, namely, Mr. Chan Chi Wai Nelson and two independent non-executive Directors, namely Mr. Leung Po Hon and Mr. Wong Wai Leung. Mr. Leung Po Hon currently serves as the chairman of the nomination committee.

### **COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Messis Capital Limited as its compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in the listing document; and
- (4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

The compliance adviser of our Company shall provide us with services, including guidance and advice as to comply with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **NON-SEGREGATION OF THE ROLES OF 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 is the chairman of the Board. Mr. Chan is also our general manager, who is responsible under the immediate authority of the Board for 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.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following the completion of the Capitalisation Issue and the Placing, each of Medinet International and Mr. Chan will control more than 30% of the issued share capital of our Company. For the purpose of the GEM Listing Rules, Medinet International and Mr. Chan are our Controlling Shareholders. Each of Medinet International and Mr. Chan confirms that, as at the Latest Practicable Date, apart from the business operated by members of our Group, each of them and each of their respective close associates and/or companies controlled by it or him do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### INDEPENDENCE OF OUR GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their respective close associates after the Capitalisation Issue and the Placing:

#### **Management and administrative independence**

The Board consists of 5 Directors, of whom 2 are executive Directors and the remaining 3 are independent non-executive Directors. Mr. Chan, being an executive Director and the chairman of the Board, is also the sole director of Medinet International. Mr. Chan and Ms. Jiang, each being an executive Director, are spouses to each other.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. The 3 independent non-executive Directors will also bring independent judgment to the decision making process of the Board.

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our senior management are set out in the section headed "*Directors and senior management*" in this prospectus.

#### **Financial independence**

Our Company has established a financial system that operates independently. During the Track Record Period, our Group had certain non-trade related amounts due from or to Mr. Chan and certain companies controlled by him. Please refer to the section headed "*Financial information — Net current assets — Amounts due to/from related parties and amount due to a Director*" for

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

further details. All amounts due from/to Mr. Chan and companies controlled by him have been fully settled in November 2015. During the Track Record Period, Mr. Chan had provided personal guarantees in favour of the relevant banks for certain bank borrowings obtained by us. All such bank borrowings had been fully repaid in November 2015, upon which the personal guarantees given by Mr. Chan had been released. Save as disclosed above, our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in our business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

### **Operational independence**

Our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. Our Group did not share our operational resources, such as contractors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of its business. Our Group's customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has its independent access to customers and suppliers. Our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders after the Listing.

### **Independence of major suppliers**

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

### **Independence of major customers**

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period. Our Directors are of the view that our Group does not unduly rely on our Controlling Shareholders and/or their respective close associates.

Having considered the aforesaid factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates.

## **RULE 11.04 OF THE GEM LISTING RULES**

As at the Latest Practicable Date, our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee of our subsidiaries), pursuant to which our Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the continuation of the Deed of Non-competition it or he would not, and would procure that its or his close associates (other than any member of our Group) would not, whether on its or his own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to (i) the operation of health centres (in relation to general practitioner consultation services offered by doctors engaged by the Group); (ii) the provision of medical solutions services to contract customers (mainly comprising insurance companies and corporations) through the administration of medical benefits plans; (iii) the provision of dental solutions services to contract customers (mainly comprising insurance companies, corporations and individuals) through the administration of dental benefits plans as well as the operation of dental clinics offering dental services; (iv) the operation of health centres (in relation to men's health treatments offered by doctors engaged by the Group); and (v) such other business of the Group more particularly described or contemplated in this prospectus), in Hong Kong and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on such business from time to time (the “**Restricted Business**”). Such non-competition undertakings do not apply to:

- (i) any interests in the shares of any member of our Group; or
- (ii) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that:
  - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or assets, as shown in that company's latest audited accounts; or
  - (b) the total number of the shares held by our Controlling Shareholders and/or their respective close associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate; or
  - (c) our Controlling Shareholders and/or their respective close associates do not have the control over the board of such company.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Deed of Non-competition shall take effect upon Listing and shall expire on the earlier of:

- (a) the day on which the Shares cease to be listed on GEM or other recognised stock exchange;  
or
- (b) the day on which our Controlling Shareholders and his/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholders and do not have power to control the Board or there is at least one other independent Shareholder other than our Controlling Shareholders and his/its close associates holding more shares than our Controlling Shareholders and his/its close associates taken together.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has undertaken that if each of our Controlling Shareholders and/or any of his/its close associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall (i) promptly within ten Business Days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such New Business Opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such New Business Opportunity is offered to him/it and/or his/its close associates.

All of our Directors (excluding those who is/are interested in the New Business Opportunity and has/have conflict of interests with our Company) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) Business Days (the “**30-day Offering Period**”) of receipt of notice from our Controlling Shareholders, our Controlling Shareholders and/or his/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In the event that our Company requires additional time to assess the New Business Opportunity, our Company may give a written notice to our Controlling Shareholders during the 30-day Offering Period and our Controlling Shareholders agree to extend the period to a maximum of 60 Business Days.

### LOCK-UP OF SHARES OF OUR CONTROLLING SHAREHOLDERS AFTER THE LISTING

Each of our Controlling Shareholders has undertaken to and covenanted with our Company, the Sponsor, the Lead Manager, the Underwriter and the Stock Exchange that, he/it shall not in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect in respect of any of the Shares which he/it is shown in the prospectus to be the beneficial owners. For further information regarding such lock-up, please refer to the paragraph headed “*Undertakings*” in the section headed “*Underwriting*” in this prospectus.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Articles provide that a Director shall not vote (nor shall he/she be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he/she or any of his/her close associates has/have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall he/she be counted in the quorum for that resolution), but this prohibition shall not apply to the exceptions as stated in the Articles where such exceptions are consistent with those provided in Appendix 3 to the GEM Listing Rules;
- (b) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (c) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (e) our Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (f) our independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholder and/or his/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of our Group within Hong Kong and such other parts of the world where any member of our Group may operate from time to time and if so, any condition to be imposed; and
- (g) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and/or our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in the section headed "*Relationship with our Controlling Shareholders — Corporate Governance Measures*" in this prospectus, our Directors believe that the interest of our Shareholders will be protected.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing, the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

### Long position in the Shares

Name	Capacity/nature of interest	Number of Shares held/ interested in <i>(Note 1)</i>	Percentage of shareholding immediately following completion of the Capitalisation issue and the Placing
Medinet International	Beneficial owner <i>(Note 2)</i>	585,000,000 (L)	56.25%
Mr. Chan	Interest of a controlled corporation <i>(Note 2)</i>	585,000,000 (L)	56.25%
Ms. Jiang	Interest of spouse <i>(Note 3)</i>	585,000,000 (L)	56.25%
NSD Capital	Beneficial owner <i>(Note 4)</i>	195,000,000 (L)	18.75%
Convoy Fund Management Limited (formerly known as DRL Capital Investment Management Limited) (“CFM”)	Interest of a controlled corporation <i>(Note 4)</i>	195,000,000 (L)	18.75%
Convoy Financial Holdings Limited (“Convoy Financial”)	Interest of a controlled corporation <i>(Note 4)</i>	195,000,000 (L)	18.75%

*Notes:*

1. The letter “L” denotes long position of the Shares.
2. Medinet International is wholly and beneficially owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in the Shares held by Medinet International under the SFO. Mr. Chan is the sole director of Medinet International.
3. Ms. Jiang is the spouse of Mr. Chan. Accordingly, Ms. Jiang is deemed to be interested in the Shares deemed to be interested by Mr. Chan under the SFO.
4. NSD Capital is an exempted company incorporated in the Cayman Islands with limited liability, the management shares of which are wholly owned by CFM, a wholly-owned subsidiary of Convoy Financial (a company listed on the Main Board of the Stock Exchange (stock code: 1019)). Therefore, each of CFM and Convoy Financial is deemed to be interested in the Shares held by NSD Capital under the SFO.

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Placing, have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

## SHARE CAPITAL

### SHARE CAPITAL

The share capital of our Company immediately following the Capitalisation Issue and the Placing will be as follows:

*Authorised share capital*

	<i>HK\$</i>
<u>5,000,000,000</u> Shares	<u>50,000,000</u>

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Placing:*

	<i>HK\$</i>
100 Shares in issue at the date of this prospectus	1
779,999,900 Shares to be issued pursuant to the Capitalisation Issue	7,799,999
<u>260,000,000</u> Shares to be issued pursuant to the Placing	<u>2,600,000</u>
<u>1,040,000,000</u>	<u>10,400,000</u>

The table is prepared on the basis of the Placing becoming unconditional and the Capitalisation Issue and the issue of the Placing Shares having been completed. Based on the Placing Price, it is expected that as at the time of Listing, the total market capitalisation of our Company will be HK\$260,000,000 (based on HK\$0.25 per Placing Share) to HK\$280,800,000 (based on HK\$0.27 per Placing Share).

It takes no account of any Shares which may be allotted and issued or repurchased by our Company under the general mandates as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

According to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of our Company’s issued share capital in the hands of the public.

### RANKING

The Placing Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

## SHARE CAPITAL

### CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 19 May 2016, subject to the share premium account of our Company being credited as a result of the Placing, our Directors are authorised to allot and issue a total of 779,999,900 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$7,799,999 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Placing; and
- (b) the number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “*General mandate to Repurchase Shares*” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements for the time being adopted. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “*Further information about our Group — Written resolutions of the Shareholders dated 19 May 2016*” in Appendix VI to this prospectus.

## SHARE CAPITAL

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the number of Shares in issue following the completion of the Capitalisation Issue and the Placing.

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “*Further Information about our Group — Repurchase by our Company of Shares*” in Appendix VI to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “*Further information about our Group — Written resolutions of the Shareholders dated 19 May 2016*” in Appendix VI to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix V to this prospectus.

## FINANCIAL INFORMATION

*The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's combined financial information as of and for each of the two years ended 31 March 2015 and the nine-month period ended 31 December 2015, including the notes thereto, included in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this prospectus.*

### OVERVIEW

We are principally engaged in the provision of corporate medical and dental solutions to our Contract Customers (which mainly comprise insurance companies and corporations in terms of revenue) through the design and administration of tailored medical and/or dental benefits plans for the Contract Customers and the provision of different combinations of medical and/or dental services through the MediNet Network to the Plan Members (including members and employees of our Contract Customers), as well as the operation of our MediNet Centres and Dental Clinics offering services to both Plan Members and Self-paid Patients (which generally refer to patients who visit our MediNet Centres and/or Dental Clinics and pay out of their own expenses).

As at the Latest Practicable Date, our MediNet Network comprises 361 Affiliated Clinics and 42 Affiliated Auxiliary Services Providers, as well as our two MediNet Centres and five Dental Clinics. Our revenue mainly represents income derived from the provision of medical and dental solutions to Contract Customers as well as the provision of medical and dental services at our MediNet Centres and Dental Clinics to Self-paid Patients. Our costs of operations mainly include, among others, (i) fees to Affiliated Doctors and Affiliated Auxiliary Services Providers for services provided by them to Plan Members; (ii) costs of our medical and dental professional staff, including our MediNet Doctors, Dentists, Dental Hygienists and other professional staff working at our MediNet Centres and Dental Clinics; (iii) staff costs for our management, administrative and other back-office staff; (iv) rental expenses for our various leased premises which are used as our head office as well as our MediNet Centres and Dental Clinics; and (v) costs of medical and dental supplies such as drugs and medicine and other consumables for use in the provision of services to both Plan Members and Self-paid Patients at our MediNet Centres and Dental Clinics.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk factors" in this prospectus:

#### **Our ability to maintain our MediNet Network**

One of our principal businesses is the provision of corporate medical and dental solutions to our Contract Customers (which mainly comprise insurance companies and corporations in terms of revenue) through the design and administration of tailored medical and/or dental benefits plans for the Contract Customers and the provision of different combinations of medical and/or dental

## FINANCIAL INFORMATION

services through the MediNet Network to the Plan Members (including members and employees of our Contract Customers). Our Directors consider that one of the reasons that our Contract Customers engage us for the provision of corporate medical and/or dental solutions is our well-established MediNet Network with more than 400 points of services across Hong Kong providing comprehensive services accessible by Plan Members with ease.

As at the Latest Practicable Date, our MediNet Network comprises (i) our two MediNet Centres; (ii) our five Dental Clinics; (iii) 361 Affiliated Clinics; (iv) 42 Affiliated Auxiliary Services Providers. One of our future plans is to expand our MediNet Network by increasing the number of Affiliated Clinics and Affiliated Auxiliary Services Providers and by broadening the range of auxiliary services available through Affiliated Auxiliary Services Providers (as further discussed in the section headed “*Future plans and use of proceeds*”), which, if succeeded, may further enhance the attractiveness of our services for Contract Customers and Plan Members and to further strengthen our competitive edge. On the other hand, any failure by us to maintain relationship with our Affiliated Doctors and Affiliated Auxiliary Services Providers or any failure to maintain sufficient number of service providers within our MediNet Network may negatively affect the number of Contract Customers willing to engage our Group to provide medical and/or dental solutions services, which may in turn materially and adversely affect our business, results of operation and financial condition.

### **Competition from other corporate medical solutions providers**

The corporate medical and dental solutions industry and the medical and dental services industry in Hong Kong are highly competitive. While we strive to strengthen our position as an established service provider in the industry, we face intense competition from other corporate medical and dental solutions providers and medical and dental services providers in both the public and private sectors in Hong Kong.

Our Contract Customers have no obligation to renew existing contracts with us upon contract expiry. In addition, Self-paid Patients have no obligation to continue to opt for our services and may choose service providers other than our MediNet Centres and Dental Clinics for their treatments (including other private service providers as well as public hospitals, clinics and other healthcare facilities).

Our ability to compete effectively with our competitors depends on a variety of factors, such as service quality, brand recognition, geographical coverage, reputation, cost control, sufficiency of professional staff, fees level, as well as other factors mentioned elsewhere in this section. Any significant competitive advantages possessed by our competitors may enable them to increase their market shares which may result in a lower profit margin and loss of market share for us. If we cannot compete effectively or maintain or grow our market share, our business, results of operations and financial condition may be materially and adversely affected.

### **Annual retainer contracts**

We charge some of our Contract Customers based on an annual retainer model, under which our Contract Customers would generally pay us a fixed amount of annual fee per Plan Member. Such pricing model means that we will enjoy a fixed income (i.e. the fixed amount of annual fee per Plan Member) but face the risk of an uncertain variable cost (which depends on the future

## FINANCIAL INFORMATION

usage of medical/dental services by the Plan Members through our MediNet Network during the following year). Our pricing under the annual retainer model is determined based on, amongst others, our estimation of the costs that will be incurred by us as a result of the expected level of usage of medical/dental services by Plan Members through our MediNet Network, which in turn is based on the historical data retained by us in respect of the actual usage of medical services by different Plan Members through our MediNet Network in the past. However, there is no assurance that past usage data will be indicative of future level of usage by Plan Members. In the event that the actual usage of medical/dental services is significantly higher than our estimation, we may experience substantially lower, or even negative, profit margins derived from our annual retainer contracts, which could materially and adversely affect our business, results of operations and financial position.

### **Cost control**

Our costs of operation mainly include cost of medical and dental professional services, staff cost, cost of medical and dental supplies, and rental expenses. Cost of medical and dental professional services mainly represents fees paid to Affiliated Doctors and Affiliated Auxiliary Services Providers for medical services provided to Plan Members, staff cost for our MediNet Doctors, Dentists and other professional staff, as well as fees paid to external dentists (who are not our own Dentists or Dental Hygienists but who are engaged by us to provide certain dental treatments at our Dental Clinics) for dental services provided to Self-paid Patients. Rental expenses include rental costs of our various leased premises where our head office, MediNet Centres and Dental Clinics are located. Cost of medical and dental supplies include costs of drugs and medicine and other consumables necessary for our MediNet Centres and Dental Clinics operations.

In the past few years, the property rental costs and the average salaries for doctors and dentists in Hong Kong have exhibited a general increasing trend, details of which are discussed in the section headed “*Industry overview*” in this prospectus. If there are any significant changes in the markets of these goods and services in Hong Kong, such as any significant changes in the demand and supply in the professional labour markets for doctors and dentists, the property leasing market, or the market for medical and dental supplies, our business, results of operations and financial condition may be materially and adversely affected.

### **Regulations affecting the healthcare services industry**

The healthcare services industry in Hong Kong is highly regulated. Our business operations as well as the Doctors, Dentists, Affiliated Clinics, Affiliated Auxiliary Services Providers and other medical and dental professionals working in the MediNet Network are subject to extensive laws, regulations and licensing requirements. Please refer to the section headed “*Regulatory overview*” for further information. Any changes in compliance standards or any new laws or regulations may restrict our ability to conduct business. Further, compliance with new or additional laws, regulations and licensing requirements may increase our Group’s operating costs and in turn, lower our Group’s profitability. Our Group may not be able to adapt to such changes promptly and any failure to comply with such changes in a timely manner may result in penalties and reduced competitiveness. Please refer to the section “*Risk factors — Risks relating to the industry in which*

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*we operate — Unpredictability as to future development on regulations and enactment of new laws relating to the medical and/or dental industry may adversely affect our operations” for further information.*

### **BASIS OF PRESENTATION**

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 11 November 2015. Our Company and its subsidiaries have been under the common control of Mr. Chan throughout the Track Record Period or since their respective date of incorporation, where there is a shorter period. Our Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial information of our Group has been prepared on the basis as if our Company had always been the holding company of our Group.

The financial information of our Group has been prepared in accordance with accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the financial information includes applicable disclosures required by the GEM Listing Rules and by the Companies Ordinance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on combination.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of our Group’s financial information requires selecting accounting policies and making estimates and judgments that affect the amount reported in the financial statements. These estimates and assumptions are periodically re-evaluated by management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our Group has identified the following accounting policies as critical to an understanding of its financial position and results of operations, because the application of these policies requires significant management estimates, and the reporting of materially different amounts could result if different estimates or assumptions were used. For more information regarding the Group’s significant accounting policies and estimates, see Notes 4 and 5 to “*Appendix I — Accountants’ report*”.

#### **Revenue recognition**

Please refer to Note 4 of section E to “*Appendix I — Accountants’ report*” to this prospectus.

Please also refer to the paragraph headed “*Principal components of results of operations — Revenue*” below for further information regarding the recognition of revenue derived from different types of services and contracts.

#### **Property, plant and equipment**

Please refer to Note 4 of section E to “*Appendix I — Accountants’ report*” to this prospectus.

#### **Leasing**

Please refer to Note 4 of section E to “*Appendix I — Accountants’ report*” to this prospectus.

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### Impairment of accounts and other receivables and amounts due from related parties

Please refer to Note 4 of section E to “Appendix I — Accountants’ report” to this prospectus.

### Taxation

Please refer to Note 4 of section E to “Appendix I — Accountants’ report” to this prospectus.

### SUMMARY OF RESULTS OF OPERATIONS

The combined statements of comprehensive income during the Track Record Period are summarised below, which have been extracted from the accountants’ report set out in Appendix I to this prospectus:

	FY2013/14 HK\$'000	FY2014/15 HK\$'000	Nine-month period ended 31 December	
			2014 HK\$'000 (unaudited)	2015 HK\$'000
Revenue	77,520	86,933	60,437	67,333
Other income	1,582	2,234	1,791	1,882
Other gains and losses	739	717	356	(956)
Medical and dental professional services expenses	(37,318)	(37,960)	(27,181)	(31,819)
Staff cost	(17,937)	(19,637)	(15,012)	(15,520)
Depreciation of property, plant and equipment	(3,654)	(3,656)	(2,630)	(1,906)
Cost of medical and dental supplies	(2,490)	(3,320)	(2,729)	(2,716)
Rental expenses	(4,232)	(4,323)	(3,299)	(3,094)
Other expenses	(6,471)	(6,994)	(5,208)	(5,812)
Finance costs	(939)	(958)	(730)	(534)
Listing expenses	—	(300)	—	(9,205)
<b>Profit (loss) before tax</b>	6,800	12,736	5,795	(2,347)
Income tax expense	(1,258)	(2,187)	(1,078)	(1,629)
<b>Profit (loss) for the year/period</b>	5,542	10,549	4,717	(3,976)
Other comprehensive income for the year/ period	2,616	7,691	1,690	1,652
<b>Total comprehensive income for the year/period</b>	<u>8,158</u>	<u>18,240</u>	<u>6,407</u>	<u>(2,324)</u>
<b>Earnings (loss) per share</b>				
Basic (Hong Kong cents)	<u>0.71</u>	<u>1.35</u>	<u>0.60</u>	<u>(0.51)</u>

## FINANCIAL INFORMATION

### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, our revenue was principally generated from (i) the provision of medical solutions to Contract Customers; (ii) the provision of dental solutions to Contract Customers; (iii) the provision of medical services to Self-paid Patients; and (iv) the provision of dental services to Self-paid Patients.

The following table sets out a breakdown of our Group's revenue during the Track Record Period by types of services:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
					HK\$'000	%	HK\$'000	%
	(unaudited)							
Medical solutions to Contract Customers	49,344	63.7	48,313	55.6	34,987	57.9	38,818	57.6
Dental solutions to Contract Customers	6,431	8.3	7,194	8.3	4,680	7.7	5,441	8.1
Medical services to Self-paid Patients	9,013	11.6	13,142	15.1	9,200	15.2	10,895	16.2
Dental services to Self-paid Patients	<u>12,732</u>	<u>16.4</u>	<u>18,284</u>	<u>21.0</u>	<u>11,570</u>	<u>19.2</u>	<u>12,179</u>	<u>18.1</u>
Total revenue	<u>77,520</u>	<u>100.0</u>	<u>86,933</u>	<u>100.0</u>	<u>60,437</u>	<u>100.0</u>	<u>67,333</u>	<u>100.0</u>

(i) *Medical solutions to Contract Customers*

Revenue from the provision of medical solutions to Contract Customers is mainly derived from two types of contracts with different pricing models:

- (1) *Annual retainer model.* Under the annual retainer model, our Contract Customers would generally pay us a fixed amount of annual fee per Plan Member. Such fee is generally payable upfront, with regular adjustments to the fee based on any changes in the number of Plan Members enrolled. In return, each Plan Member would generally be entitled to certain amount of medical services free of charge or at specified prices with or without co-payments during the year from all or selected Doctors and Affiliated Auxiliary Services Providers across the MediNet Network.
- (2) *Fee-for-service model.* Under the fee-for-service model, we would generally charge our Contract Customers only when a Plan Member receives medical service through our MediNet Network. The amount that we charge our Contract Customers is generally determined based on a fee scale pre-agreed between us and the Contract Customers for each type of medical service to which the Plan Members are entitled. We generally bill our Contract Customers on a monthly basis based on the services received by the Plan Members in the preceding month.

## FINANCIAL INFORMATION

For further information in relation to the above, please refer to the sections headed “*Business — Medical solutions to Contract Customers*” and “*Risk factors — Annual retainer contracts entered into between us and certain Contract Customers expose us to the risk of uncertain or even negative profit margin due to uncertain variable costs*” in this prospectus.

Revenue derived from annual retainer contracts is recognised on a time proportion basis over the terms of the respective contracts. Revenue derived from fee-for-service contracts is recognised upon the provision of the medical services to the relevant Plan Members.

The following table sets forth a breakdown of our revenue derived from our provision of medical solutions to Contract Customers during the Track Record Period by pricing models:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
					HK\$'000	%	HK\$'000	%
	(unaudited)							
<b>Medical solutions</b>								
— Annual retainer model	13,826	28.0	13,348	27.6	8,822	25.2	13,558	34.9
— Fee-for-service model	<u>35,518</u>	<u>72.0</u>	<u>34,965</u>	<u>72.4</u>	<u>26,165</u>	<u>74.8</u>	<u>25,260</u>	<u>65.1</u>
Total	<u><u>49,344</u></u>	<u><u>100.0</u></u>	<u><u>48,313</u></u>	<u><u>100.0</u></u>	<u><u>34,987</u></u>	<u><u>100.0</u></u>	<u><u>38,818</u></u>	<u><u>100.0</u></u>

(ii) *Dental solutions to Contract Customers*

Revenue from the provision of dental solutions to Contract Customers is generally derived from annual retainer contracts, where our Contract Customers would generally pay us a fixed amount of annual fee per Plan Member (or, where the Contract Customer is an individual, a fixed amount of annual fee for the individual himself/herself) and in return, each Plan Member (or, where the Contract Customer is an individual, such individual himself/herself) would generally be entitled to certain amount of dental services free of charge or at specified prices with or without co-payments during the year through our Dental Clinics. For further information, please refer to the sections headed “*Business — Dental solutions to Contract Customers*” and “*Risk factors — Annual retainer contracts entered into between us and certain Contract Customers expose us to the risk of uncertain or even negative profit margin due to uncertain variable costs*” in this prospectus.

Revenue derived from annual retainer contracts is recognised on a time proportion basis over the terms of the respective contracts.

## FINANCIAL INFORMATION

The following table sets out a breakdown of our revenue derived from our provision of dental solutions to Contract Customers during the Track Record Period by type of Contract Customers:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
					2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
<b>Dental solutions</b>								
— Corporations and insurance companies	3,857	60.0	4,644	64.6	2,725	58.2	3,386	62.2
— Individuals	<u>2,574</u>	<u>40.0</u>	<u>2,550</u>	<u>35.4</u>	<u>1,955</u>	<u>41.8</u>	<u>2,055</u>	<u>37.8</u>
<b>Total</b>	<u><u>6,431</u></u>	<u><u>100.0</u></u>	<u><u>7,194</u></u>	<u><u>100.0</u></u>	<u><u>4,680</u></u>	<u><u>100.0</u></u>	<u><u>5,441</u></u>	<u><u>100.0</u></u>

*(iii) Medical services to Self-paid Patients*

Revenue from the provision of medical services to Self-paid Patients is recognised upon the rendering of medical services by our MediNet Doctors at our MediNet Centres to Self-paid Patients (which, in relation to medical services, generally refer to patients who visit our MediNet Centres and who pay out of their own expenses, such as walk-in patients as well as Plan Members who pay for a portion or the entire amount of fees incurred for the medical services received that do not fall within the scope of the relevant medical benefits plans or that require co-payment). Our MediNet Centres accept payments from Self-paid Patients by cash or credit card (and, in certain cases, EPS).

As at the Latest Practicable Date, we operate two MediNet Centres located in Central and Tsim Sha Tsui respectively. The following table sets forth a breakdown of our revenue derived from the provision of medical services to Self-paid Patients by our two MediNet Centres during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
					2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
<b>MediNet Centres</b>								
Central	1,229	13.6	2,230	17.0	1,687	18.3	2,017	18.5
Tsim Sha Tsui	<u>7,784</u>	<u>86.4</u>	<u>10,912</u>	<u>83.0</u>	<u>7,513</u>	<u>81.7</u>	<u>8,878</u>	<u>81.5</u>
<b>Total</b>	<u><u>9,013</u></u>	<u><u>100.0</u></u>	<u><u>13,142</u></u>	<u><u>100.0</u></u>	<u><u>9,200</u></u>	<u><u>100.0</u></u>	<u><u>10,895</u></u>	<u><u>100.0</u></u>

The types of medical services offered at our MediNet Centres by our MediNet Doctors to Self-paid Patients include general practitioner consultation services, immunization services, health assessment such as body check and female check-up services, as well as men's health treatments.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue derived from the provision of different types of medical services to Self-paid Patients at our MediNet Centres during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
					2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
<b>Medical services to Self-paid Patients</b>								
General practice and other auxiliary services	3,188	35.4	3,607	27.4	2,459	26.7	3,666	33.6
Men's health treatments	<u>5,825</u>	<u>64.6</u>	<u>9,535</u>	<u>72.6</u>	<u>6,741</u>	<u>73.3</u>	<u>7,229</u>	<u>66.4</u>
<b>Total</b>	<u>9,013</u>	<u>100.0</u>	<u>13,142</u>	<u>100.0</u>	<u>9,200</u>	<u>100.0</u>	<u>10,895</u>	<u>100.0</u>

The table below sets out a breakdown of our revenue derived from the provision of medical services to Self-paid Patients during the Track Record Period by the following three categories:

- (i) the fees incurred for the treatments received by patients who are not Plan Members (i.e. walk-in patients);
- (ii) the uncovered fees incurred for the treatments received by patients who are Plan Members but who received treatments that do not fall within the scope of the relevant benefits plans; and
- (iii) the co-payment amount for the treatments received by Plan Members who are required to bear a certain amount of co-payments pursuant to the relevant benefits plans:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
					2014		2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)							
Fees from walk-in patients		7,860		11,916		8,347		9,924
Uncovered fees from Plan Members		1,082		1,153		801		913
Co-payments by Plan Members		<u>71</u>		<u>73</u>		<u>52</u>		<u>58</u>
<b>Total revenue from Self-paid Patients</b>		<u>9,013</u>		<u>13,142</u>		<u>9,200</u>		<u>10,895</u>

## FINANCIAL INFORMATION

The following table sets out the number of visits by Self-paid Patients to our MediNet Centres seeking medical services during the Track Record Period:

	FY2013/14	FY2014/15	Nine-month period ended 31 December	
			2014	2015
<b>Number of visits by Self-paid Patients to our MediNet Centres who were:</b>				
— Walk-in patients	7,548	8,888	6,996	7,137
— Plan Members in category (ii) described above	6,989	8,007	5,978	7,594
— Plan Members in category (iii) described above	<u>2,999</u>	<u>3,271</u>	<u>2,460</u>	<u>2,765</u>
 Total number of visits by Self-paid Patients to our MediNet Centres	 <u>17,536</u>	 <u>20,166</u>	 <u>15,434</u>	 <u>17,496</u>

Accordingly, for each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2014 and 2015, the average fee paid by Self-paid Patient for medical services per visit was, respectively:

- HK\$1,041, HK\$1,341, HK\$1,193 and HK\$1,391 for Self-paid Patients who were walk-in patients;
- HK\$155, HK\$144, HK\$134 and HK\$120 for Self-paid Patients who were Plan Members in category (ii) described above; and
- HK\$24, HK\$22, HK\$21 and HK\$21 for Self-paid Patients who were Plan Members in category (iii) described above.

*(iv) Dental services to Self-paid Patients*

Revenue from the provision of dental services to Self-paid Patients is recognised upon the rendering of dental services at our Dental Clinics to Self-paid Patients (which, in relation to dental services, generally refer to patients who visit our Dental Clinics and who pay out of their own expenses, such as walk-in patients as well as Plan Members who pay for a portion or the entire amount of fees incurred for the dental services received that do not fall within the scope of the relevant dental benefits plans or that require copayment). Our Dental Clinics accept payments from Self-paid Patients by cash or credit card, with an option of credit card payment by installments available for certain types of relatively expensive secondary dental treatments such as orthodontics.

## FINANCIAL INFORMATION

As at the Latest Practicable Date, we operate five Dental Clinics located in Causeway Bay, Central, Kwun Tong, Mong Kok and Tsim Sha Tsui respectively. The following table sets forth a breakdown of our revenue derived from the provision of dental services to Self-paid Patients by our five Dental Clinics during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
					HK\$'000	%	HK\$'000	%
	(unaudited)							
<b>Dental Clinics</b>								
Central	3,365	26.4	4,950	27.1	3,438	29.7	3,348	27.5
Tsim Sha Tsui	3,781	29.7	5,584	30.5	3,240	28.0	3,781	31.0
Causeway Bay	3,138	24.7	4,784	26.2	2,694	23.3	2,717	22.3
Mong Kok	1,110	8.7	1,212	6.6	917	7.9	896	7.4
Kwun Tong	<u>1,338</u>	<u>10.5</u>	<u>1,754</u>	<u>9.6</u>	<u>1,281</u>	<u>11.1</u>	<u>1,437</u>	<u>11.8</u>
<b>Total</b>	<u>12,732</u>	<u>100.0</u>	<u>18,284</u>	<u>100.0</u>	<u>11,570</u>	<u>100.0</u>	<u>12,179</u>	<u>100.0</u>

The table below sets out a breakdown of our revenue derived from the provision of dental services to Self-paid Patients during the Track Record Period by the following two categories:

- (i) the fees incurred for the treatments received by patients who are not Plan Members (i.e. walk-in patients); and
- (ii) the uncovered fees incurred for the treatments received by patients who are Plan Members but who received treatments that do not fall within the scope of the relevant benefits plans:

	FY2013/14		FY2014/15		Nine-month period ended 31 December	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2014	2015
					HK\$'000	HK\$'000
	(unaudited)					
Fees from walk-in patients		6,005		9,400	5,164	6,267
Uncovered fees from Plan Members		<u>6,727</u>		<u>8,884</u>	<u>6,406</u>	<u>5,912</u>
<b>Total revenue from Self-paid Patients</b>		<u>12,732</u>		<u>18,284</u>	<u>11,570</u>	<u>12,179</u>

## FINANCIAL INFORMATION

The following table sets out the number of visits by Self-paid Patients to our Dental Clinics seeking dental services during the Track Record Period:

	FY2013/14	FY2014/15	Nine-month period ended 31 December	
			2014	2015
<b>Number of visits by Self-paid Patients to our Dental Clinics who were:</b>				
— Walk-in patients	9,251	9,443	7,137	7,222
— Plan Members in category (ii) described above	<u>30,505</u>	<u>23,919</u>	<u>19,106</u>	<u>18,916</u>
 Total number of visits by Self-paid Patients to our Dental Clinics	 <u><u>39,756</u></u>	 <u><u>33,362</u></u>	 <u><u>26,243</u></u>	 <u><u>26,138</u></u>

Accordingly, for each of FY2013/14, FY2014/15 and the nine-month periods ended 31 December 2014 and 2015, the average fee paid by Self-paid Patient for dental services per visit was, respectively:

- HK\$649, HK\$995, HK\$724 and HK\$868 for Self-paid Patients who were walk-in patients; and
- HK\$221, HK\$371, HK\$335 and HK\$313 for Self-paid Patients who were Plan Members in category (ii) described above.

### Other income

The following table sets forth a breakdown of our other income during the Track Record Period:

	FY2013/14	FY2014/15	Nine-month period ended 31 December	
			2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Other service income	702	1,609	1,250	1,316
Dividend income	292	51	51	139
Imputed interest income	409	422	374	312
Bank interest income	1	2	2	1
Credit card rebate	154	148	112	113
Others	<u>24</u>	<u>2</u>	<u>2</u>	<u>1</u>
	<u><u>1,582</u></u>	<u><u>2,234</u></u>	<u><u>1,791</u></u>	<u><u>1,882</u></u>

## FINANCIAL INFORMATION

During the Track Record Period, our other income mainly comprised:

- (i) other service income, which mainly comprised marketing income from laboratory and other healthcare services providers for our provision of marketing services to them, as well as other service income for our provision of administrative and other miscellaneous services to such laboratory and other healthcare services providers. The aforesaid marketing income is derived as we have agreed to provide information to our patients relating to services provided by laboratory and other healthcare services providers such as blood, urine, stool and other testing procedures as well as other healthcare services. Such laboratory and other healthcare services providers therefore agreed with us to pay us marketing fees based on a certain percentage of their income derived from the provision of testing and other healthcare services;
- (ii) dividend income, which represented dividend income from certain held-for-trading equity securities listed in Hong Kong;
- (iii) imputed interest income, which represented imputed interest income from a three-year unsecured and interest-free loan advanced by our Group to MediNet Holdings (a company 100% beneficially owned by Mr. Chan) in November 2012 with carrying amount of approximately HK\$13.0 million, HK\$13.4 million and nil as at 31 March 2014, 31 March 2015 and 31 December 2015 respectively (which was fully repaid in November 2015);
- (iv) bank interest income, which represented interest income earned on bank deposits; and
- (v) credit card rebates, which represented rebates from credit card companies in relation to our use of credit card payment systems.

### **Other gains and losses**

During the Track Record Period, the entire amounts of our other gains and losses represent gain or loss on fair value change of held-for-trading investments, which included certain equity securities listed in Hong Kong. Such held-for-trading investments were purchased with our idle funds in the past. For further information regarding our held-for-trading investments, please refer to the paragraph headed “*Net current assets — Held-for-trading investments*” below in this section.

## FINANCIAL INFORMATION

### Medical and dental professional services expenses

The table below sets forth a breakdown of our medical and dental professional services expenses during the Track Record Period:

	Year ended 31 March				Nine-month period ended 31 December			
	2014		2015		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Fees to Affiliated Doctors and Affiliated Auxiliary Services Providers and reimbursement to Plan Members	33,305	89.2	32,936	86.8	23,566	86.7	26,391	83.0
Fees for engaging external dentists	1,496	4.0	1,807	4.7	1,138	4.2	1,699	5.3
Laboratory charges	2,517	6.8	3,217	8.5	2,477	9.1	3,121	9.8
Fees to MediNet Doctors	—	—	—	—	—	—	608	1.9
	<u>37,318</u>	<u>100.0</u>	<u>37,960</u>	<u>100.0</u>	<u>27,181</u>	<u>100.0</u>	<u>31,819</u>	<u>100.0</u>

Our medical and dental professional services expenses during the Track Record Period comprised:

- (a) fees to Affiliated Doctors and Affiliated Auxiliary Services Providers, which represent fees charged by Affiliated Doctors and Affiliated Auxiliary Services Providers to us for the medical services provided by them to Plan Members;
- (b) reimbursements to Plan Members, which represent (i) fees reimbursed by us to certain Plan Members who are covered by certain corporate medical benefits plans administered by us under which we have agreed with the relevant Contract Customers to reimburse the relevant Plan Members for a portion of the fees (subject to certain maximum limit per visit per day) paid for certain types of medical services received by the Plan Members at clinics of their own choosing that are outside of our MediNet Network; and (ii) fees reimbursed by us to certain Plan Members who received medical services through our MediNet Network as covered by the relevant medical benefits plans but who paid out of their own expenses as they did not present their MediNet card or membership card when receiving such medical services and subsequently sought reimbursements from us. Please refer to the section headed “*Business — Operation flow for corporate medical and dental solutions business — Administering the medical/dental benefits plan*” for further details with respect to the aforesaid reimbursement arrangement;
- (c) fees for engaging external dentists, which represent fees paid to external dentists (who are Registered Dental Practitioners not directly employed by us) whom we may from time to time engage to perform certain secondary dental care treatments at our Dental Clinics typically to Self-paid Patients depending on the expertise required for the relevant dental treatments;

## FINANCIAL INFORMATION

- (d) laboratory charges, which mainly represent fees charged by laboratories engaged by us for blood, urine, stool and other testing procedures and X-ray imaging for our Self-paid Patients; and
- (e) fees to MediNet Doctors, which represent fees paid to MediNet Doctors who provide medical services at our MediNet Centres, whom we have ceased to directly employ pursuant to the MediNet Doctors Agreements effective from 1 November 2015. For details, please refer to the section headed “*Business — Compliance and legal proceedings — MediNet Doctors Agreements*” in this prospectus.

Medical and dental professional services expenses were the most significant cost component of our operation during the Track Record Period. Our Directors consider that changes in the general wages of doctors and dentists in Hong Kong could affect the fees charged by Affiliated Doctors and Affiliated Auxiliary Services Providers, thereby affecting our medical and dental professional services expenses. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our medical and dental professional services expenses on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 3% and 7%, which correspond to the approximately minimum and maximum year-on-year fluctuations in the average salary of doctors and dentists as shown in the Ipsos Report (see section headed “*Industry overview — Potential challenges — Rising cost of medical and dental professional services*” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations in our medical and dental professional services expenses**

	+3%	+7%	-3%	-7%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Change in profit before tax (Note 1)</b>				
FY2013/14	(1,120)	(2,612)	1,120	2,612
FY2014/15	(1,139)	(2,657)	1,139	2,657
Nine-month period ended 31 December 2015	(955)	(2,227)	955	2,227
<b>Change in profit after tax (Note 2)</b>				
FY2013/14	(935)	(2,181)	935	2,181
FY2014/15	(951)	(2,219)	951	2,219
Nine-month period ended 31 December 2015	(797)	(1,860)	797	1,860

*Notes:*

1. Our profit before tax was approximately HK\$6,800,000 for FY2013/14 and approximately HK\$12,736,000 for FY2014/15. We recorded loss before tax of approximately HK\$2,347,000 for the nine-month period ended 31 December 2015.
2. Our profit after tax was approximately HK\$5,542,000 for FY2013/14 and approximately HK\$10,549,000 for FY2014/15. We recorded loss after tax of approximately HK\$3,976,000 for the nine-month period ended 31 December 2015.

## FINANCIAL INFORMATION

### Staff cost

The table below sets forth a breakdown of our staff cost during the Track Record Period:

	Year ended 31 March				Nine-month period ended 31 December			
	2014		2015		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
<b>Staff cost:</b>								
Management and administrative staff	4,238	23.6	4,794	24.4	3,713	24.7	4,377	28.2
Dentists	6,310	35.2	7,056	35.9	5,365	35.8	5,668	36.5
MediNet Doctors	3,633	20.3	3,898	19.9	2,888	19.2	2,279	14.7
Other professional staff	<u>3,756</u>	<u>20.9</u>	<u>3,889</u>	<u>19.8</u>	<u>3,046</u>	<u>20.3</u>	<u>3,196</u>	<u>20.6</u>
	<u><u>17,937</u></u>	<u><u>100.0</u></u>	<u><u>19,637</u></u>	<u><u>100.0</u></u>	<u><u>15,012</u></u>	<u><u>100.0</u></u>	<u><u>15,520</u></u>	<u><u>100.0</u></u>

Our staff cost during the Track Record Period comprised:

- (a) staff cost for management and administrative staff, which includes salaries, retirement benefit schemes contributions and other related costs incurred for our management, human resources, administration, accounting, information technology, and other back-office supporting staff;
- (b) staff cost for Dentists, which represent staff cost for our Dentists employed by Well Being Dental during the Track Record Period;
- (c) staff cost for MediNet Doctors, which represent staff cost for our MediNet Doctors employed by MediNet Health Centre during the Track Record Period (please also refer to the section headed “*Business — Compliance and legal proceedings — MediNet Doctors Agreements*” for further information on the change in relation to the employment arrangement with our MediNet Doctors); and
- (d) staff cost for other professional staff, which represent staff cost for our other medical and dental professional staff employed by us such as our Dental Hygienists, nurses and other professional staff working at our MediNet Centres and Dental Clinics.

During the Track Record Period, no emoluments were paid by our Group to Mr. Chan or Ms. Jiang as fees, salaries and allowances, performance related incentive payments, or retirement benefit schemes contributions.

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### Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is recognised to write off the cost of property, plant and equipment less their residual value over their estimated useful lives using the straight-line method. Our depreciation expenses primarily relate to:

- (a) a leasehold property, which was a residential property previously owned by us for use as the residence of Mr. Chan and Ms. Jiang and which had been disposed of as at the Latest Practicable Date to a property holding company controlled by Mr. Chan, details of which are set out in the section headed “*Business — Properties — Owned property during the Track Record Period*” in this prospectus;
- (b) leasehold improvements in relation to the aforesaid residential property as well as our leased premises for use in our operations;
- (c) professional equipment, mainly including our dental equipment such as certain irradiating apparatuses and pressure vessels installed at our Dental Clinics as described in the section headed “*Business — Medical and dental services provided through our MediNet Network — Dental services*” in this prospectus;
- (d) furniture and fixtures at our various premises leased for our operations; and
- (e) motor vehicles purchased for use by our Directors and staff.

### Cost of medical and dental supplies

Cost of medical and dental supplies primarily represents costs of drugs and medicine and other consumables necessary for the provision of medical and dental services at our MediNet Centres and Dental Clinics.

### Rental expenses

The table below sets forth a breakdown of our rental expenses during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014		2015	
					HK\$'000	%	HK\$'000	%
	(unaudited)							
Rental expenses for head office	821	19.4	822	19.0	616	18.7	648	20.9
Rental expenses for MediNet Centres and Dental Clinics	<u>3,411</u>	<u>80.6</u>	<u>3,501</u>	<u>81.0</u>	<u>2,683</u>	<u>81.3</u>	<u>2,446</u>	<u>79.1</u>
	<u>4,232</u>	<u>100.0</u>	<u>4,323</u>	<u>100.0</u>	<u>3,299</u>	<u>100.0</u>	<u>3,094</u>	<u>100.0</u>

## FINANCIAL INFORMATION

Our rental expenses during the Track Record Period comprised:

- (a) rental expenses for head office, which represent rental expenses incurred for the lease of a property for use as our head office; and
- (b) rental expenses for MediNet Centres and Dental Clinics, which represent rental expenses incurred for the lease of various properties for use as our MediNet Centres and Dental Clinics.

### Other expenses

The table below sets forth a breakdown of our other expenses during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014 HK\$'000	%	2015 HK\$'000	%
Utility charges	316	4.9	300	4.3	241	4.6	193	3.3
Rates and management fees	735	11.3	808	11.6	614	11.8	585	10.1
Insurance expenses	230	3.5	242	3.5	202	3.9	130	2.2
Repair and maintenance of equipment	189	2.9	216	3.1	120	2.3	126	2.2
Telecommunications expenses	1,104	17.1	1,051	15.0	651	12.5	696	12.0
Fees to external websites	1,021	15.8	1,114	15.9	850	16.3	1,203	20.7
Transportation and entertainment expenses	367	5.7	293	4.2	272	5.2	237	4.1
Auditor's remuneration	56	0.9	500	7.1	—	—	—	—
Bank charges	744	11.5	875	12.5	632	12.1	684	11.8
Postage and printing	537	8.3	546	7.8	385	7.4	385	6.6
Cleaning expenses	225	3.5	186	2.7	133	2.6	147	2.5
Other general administrative expenses	947	14.6	863	12.3	1,108	21.3	1,426	24.5
	<u>6,471</u>	<u>100.0</u>	<u>6,994</u>	<u>100.0</u>	<u>5,208</u>	<u>100.0</u>	<u>5,812</u>	<u>100.0</u>

Our other expenses during the Track Record Period comprised:

- (a) utility charges, which represent utility charges incurred including but not limited to electricity charges, water charges and air-conditioning charges;
- (b) rates and management fees, which represent Government rates and building management fees paid to the Government and building management companies respectively;
- (c) insurance expenses, which represent cost for maintaining our insurance policies;
- (d) repair and maintenance of equipment, which mainly represent cost of repair and maintenance in respect of certain dental equipment owned by Well Being Dental;
- (e) telecommunications expenses, which included but not limited to telephone charges, internet charges and websites maintenance fees;

## FINANCIAL INFORMATION

- (f) fees to external websites, which represent fees to external websites operators for the display of information relating to our Group's health assessment services on those websites;
- (g) transportation and entertainment expenses, which represent transportation and entertainment expenses incurred by our Directors and staff in connection with our business operations;
- (h) auditor's remuneration, which are fees to our auditors;
- (i) bank charges, which mainly included bank charges in relation to our use of credit card payment systems at our MediNet Centres and Dental Clinics and charges for bank transfers;
- (j) postage and printing charges, which represent charges incurred for the posting and printing of various documents including but not limited to MediNet cards for Plan Members, MediNet Network directory pamphlets for Contract Customers, and other administrative documents;
- (k) cleaning expenses, which represent expenses incurred for cleaning services engaged for our head office, MediNet Centres and Dental Clinics;
- (l) other general administrative expenses, which represent miscellaneous office administrative expenses including but not limited to business registration fees, licenses renewal fees for certain dental equipment owned by Well Being Dental, stationery expenses, donation expenses, etc.

### **Finance costs**

Our finance costs during the Track Record Period mainly represented interest expenses on our bank borrowings and finance lease obligation for financing (i) the purchase of a residential property, which was purchased for use as the residence of Mr. Chan and Ms. Jiang and which had been disposed of as at the Latest Practicable Date to a property holding company controlled by Mr. Chan, details of which are set out in the section headed "*Business — Properties — Owned property during the Track Record Period*" in this prospectus; (ii) the purchase of a motor vehicle for use by our Directors and staff; and (iii) our general business operations.

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The following table sets forth a breakdown of our finance costs during the Track Record Period:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2014</b>	<b>2015</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Interest on:				
Bank borrowings wholly repayable within five years according to scheduled repayment dates	459	515	393	299
Mortgage loan not wholly repayable within five years according to scheduled repayment dates	457	433	328	234
Finance lease wholly repayable within five years	23	10	9	1
	939	958	730	534

Further details of our bank borrowings are disclosed in the paragraph headed “*Indebtedness*” below in this section.

### **Listing expenses**

Listing expenses represented expenses incurred in relation to the Listing. For details, please refer to the paragraph headed “*Listing expenses*” below in this section.

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### Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period. The taxation for the Track Record Period can be reconciled to the profit before taxation as follows:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December</b>	
			<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Profit (loss) before taxation	<u>6,800</u>	<u>12,736</u>	<u>5,795</u>	<u>(2,347)</u>
Tax at Hong Kong profits tax rates of 16.5% (2014: 16.5%)	1,122	2,101	956	(387)
Tax effect of expenses not deductible for tax purposes	272	253	201	1,929
Tax effect of income not taxable for tax purposes	(116)	(97)	(73)	(88)
Tax concession	(20)	(70)	(6)	(80)
Tax effect of disposal of leasehold property	<u>—</u>	<u>—</u>	<u>—</u>	<u>255</u>
Income tax expenses for the year/period	<u>1,258</u>	<u>2,187</u>	<u>1,078</u>	<u>1,629</u>

### Earnings before interest, tax, depreciation and amortization (“EBITDA”)

The following table sets forth the respective EBITDA of our medical and dental businesses during the Track Record Period:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December</b>	
			<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
<b>EBITDA</b>				
— Medical solutions and medical services	8,745	9,846	6,204	7,526
— Dental solutions and dental services	1,303	5,823	1,121	1,844

EBITDA is calculated by adding back the respective amounts of depreciation included in the measure of the respective segment profits to the respective segment profits before interest and tax as shown in note 8 to the accountants’ report set out in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### FY2014/15 compared to FY2013/14

##### *Revenue*

Our Group's revenue increased by approximately 12.1% from approximately HK\$77.5 million for FY2013/14 to approximately HK\$86.9 million for FY2014/15 mainly as a result of the combined effect of the following:

- (i) Our revenue generated from the provision of medical solutions to Contract Customers slightly decreased by approximately 2.1% from approximately HK\$49.3 million for FY2013/14 to approximately HK\$48.3 million for FY2014/15. We experienced a slight decrease in the number of our medical solutions Contract Customers under annual retainer contracts, which led to a slight decrease in our revenue from medical solutions annual retainer contracts from approximately HK\$13.8 million for FY2013/14 to approximately HK\$13.3 million for FY2014/15. On the other hand, we experienced an increase in the number of our medical solutions Contract Customers under fee-for-service contracts. Despite so, we experienced a slight decrease in the usage of medical services by Plan Members through our MediNet Network (in terms of fee-for-service revenue generated by us) as certain Plan Members chose to receive medical services at clinics of their own choosing that are outside of our MediNet Network and sought reimbursements from us afterwards (subject to the terms of the relevant corporate medical benefits plans administered by us) instead of visiting our MediNet Centres or Affiliated Clinics, resulting in a slight decrease in our revenue from medical solutions fee-for-service contracts from approximately HK\$35.5 million for FY2013/14 to approximately HK\$35.0 million for FY2014/15.
- (ii) Our revenue generated from the provision of dental solutions to Contract Customers increased by approximately 11.9% from approximately HK\$6.4 million for FY2013/14 to approximately HK\$7.2 million for FY2014/15, mainly due to a general increase in our pricing for dental solutions services to Contract Customers upon contracts renewals.
- (iii) Our revenue generated from the provision of medical services to Self-paid Patients increased by approximately 45.8% from approximately HK\$9.0 million for FY2013/14 to approximately HK\$13.1 million for FY2014/15. Such increase was primarily due to a lower base figure for FY2013/14 as a result of our temporary close down of part of our Tsim Sha Tsui MediNet Centre for approximately two months for renovation, which affected the business at our Tsim Sha Tsui MediNet Centre. The purposes of the renovation were, among other things, to set up a designated separate area for our men's health treatments services after the renovation for higher privacy and comfort for our Self-paid Patients seeking men's health treatments at our MediNet Centre in Tsim Sha Tsui. In addition, we also recorded an increase in the number of visits by Self-paid Patients who were walk-in patients to our MediNet Centres from 7,548 in FY2013/14 to 8,888 in FY2014/15, which further contributed to the increase in our revenue generated from the provision of medical services to Self-paid Patients.

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- (iv) Our revenue generated from the provision of dental services to Self-paid Patients increased by approximately 43.6% from approximately HK\$12.7 million for FY2013/14 to approximately HK\$18.3 million for FY2014/15. Such increase was primarily due to our effort in encouraging our Dentists to focus more on providing secondary dental care services with higher values (such as therapeutic and dental cosmetic care treatments) while assigning Dental Hygienists to take care of patients requiring only basic dental care services with lower values such as scaling and polishing. In addition, we also recorded an increase in the number of visits by Self-paid Patients who were walk-in patients to our Dental Clinics from 9,251 in FY2013/14 to 9,443 in FY2014/15, which further contributed to the increase in our revenue generated from the provision of dental services to Self-paid Patients.

### *Other income*

Our other income increased by approximately 41.2% from approximately HK\$1.6 million for FY2013/14 to approximately HK\$2.2 million for FY2014/15, primarily due to an increase in other service income which included commission income from laboratory and other healthcare services providers. This was partially offset by a decrease in dividend income derived from listed equity securities in Hong Kong.

### *Other gains and losses*

Our other gains slightly decreased by approximately 3.0% from approximately HK\$739,000 for FY2013/14 to approximately HK\$717,000 for FY2014/15, which was primarily due to smaller gains recorded in FY2014/15 on fair value change of our held-for-trading investments (being listed equity securities in Hong Kong).

### *Medical and dental professional services expenses*

Our medical and dental professional services expenses increased by approximately 1.7% from approximately HK\$37.3 million for FY2013/14 to approximately HK\$38.0 million for FY2014/15 mainly as a result of the combined effect of the following:

- (i) The aggregate amount of fees to Affiliated Doctors and Affiliated Auxiliary Services Providers and reimbursements to Plan Members amounted to approximately HK\$33.3 million for FY2013/14 and approximately HK\$32.9 million for FY2014/15, representing a slight decrease of approximately 1.1%, which was generally in line with our approximately 2.1% decrease in revenue from the provision of medical solutions to Contract Customers.
- (ii) Fees for engaging external dentists increased by approximately 20.8% from approximately HK\$1.5 million for FY2013/14 to approximately HK\$1.8 million for FY2014/15 as we experienced an increase in demand from Self-paid Patients for certain secondary dental care services which require the expertise of external dentists specialized in those areas to carry out.

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- (iii) Laboratory charges increased by approximately 27.8% from approximately HK\$2.5 million for FY2013/14 to approximately HK\$3.2 million for FY2014/15 as we experienced an increase in demand from Self-paid Patients for medical services offered at our MediNet Centres including health assessment services as well as dental services offered at our Dental Clinics, resulting in an increase in our demand for laboratory testing services.

The percentage increase in our medical and dental professional services expenses was considerably smaller than the percentage increase in our revenue. This was because the largest components of our medical and dental professional services expenses were fees to Affiliated Doctors and Affiliated Auxiliary Services Providers and reimbursements to Plan Members, which generally increase (or decrease) along with an increase (or decrease) in the level of usage of medical services by Plan Members at Affiliated Doctors and Affiliated Auxiliary Services Providers, which, in turn, tends to increase (or decrease) along with an increase (or decrease) in our revenue from the provision of medical solutions to Contract Customers. However, the increase in our revenue in FY2014/15 compared to FY2013/14 was not caused by an increase in our revenue from the provision of medical solutions to Contract Customers, but was rather caused by an increase in revenue derived from our other services (including the provision of dental solutions to Contract Customers and the provision of medical and dental services to Self-paid Patients), the costs of which mainly include staff costs for our medical and dental professional staff working at our MediNet Centres and Dental Clinics which are not included in our medical and dental professional services expenses.

### *Staff cost*

Our staff cost increased by approximately 9.5% from approximately HK\$17.9 million for FY2013/14 to approximately HK\$19.6 million for FY2014/15, primarily due to an increase in cost of commissions to our Dentists (which generally increases along with an increase in our revenue from the provision of dental services to Self-paid Patients because our Dentists are entitled to, in addition to salaries, commission incomes which are determined based on certain agreed percentages of the fees or certain fixed amounts for certain types of dental services provided) in FY2014/15.

### *Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment remained relatively stable at approximately HK\$3,654,000 for FY2013/14 and approximately HK\$3,656,000 for FY2014/15 as we had no material acquisition or disposal of property, plant and equipment during FY2013/14 and FY2014/15 except certain additions of leasehold improvements and furniture and fixtures.

The carrying amount of our property, plant and equipment increased from approximately HK\$78.9 million as at 31 March 2014 to approximately HK\$85.5 million as at 31 March 2015, which was mainly due to surplus on revaluation of a leasehold property (see “*Business — Properties — Owned property during the Track Record Period*” and property valuation set out in Appendix IV to this prospectus for further information) as recognised in our other comprehensive income.

### *Cost of medical and dental supplies*

Our cost of medical and dental supplies increased by approximately 33.3% from approximately HK\$2.5 million for FY2013/14 to approximately HK\$3.3 million for FY2014/15. Such increase was mainly due to the increase in demand for medical and dental services from Self-paid Patients at our

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MediNet Centres and Dental Clinics as evidenced by the increase in our revenue generated from the provision of medical and dental services to Self-paid Patients as discussed above, resulting in an increase in our demand for medical and dental supplies necessary for the provision of medical and dental services.

### *Rental expenses*

Our rental expenses increased by approximately 2.2% from approximately HK\$4,232,000 for FY2013/14 to approximately HK\$4,323,000 for FY2014/15, mainly due to an increase in rental expenses for our Tsim Sha Tsui Dental Clinic and Causeway Bay Dental Clinic as a result of renewal of the respective tenancy agreements during FY2014/15 with increases in rents.

### *Other expenses*

Our other expenses increased by approximately 8.1% from approximately HK\$6.5 million for FY2013/14 to approximately HK\$7.0 million for FY2014/15, primarily due to an increase in auditor's remuneration, Government rates and building management fees.

### *Finance costs*

Our finance costs increased slightly by approximately 2.0% from approximately HK\$939,000 for FY2013/14 to approximately HK\$958,000 for FY2014/15. Such increase was mainly due to a slight increase in the balance of our bank borrowings for financing our general operations, which was partially offset by the decreasing principal amounts of our mortgage loan and our finance lease obligation over time after each monthly repayment, and coupled with the relatively stable interest rates during FY2013/14 and FY2014/15.

### *Listing expenses*

We recognised Listing expenses of nil for FY2013/14 and approximately HK\$300,000 for FY2014/15. Please refer to the paragraph headed "*Listing expenses*" below in this section for further information.

### *Profit before tax*

Due to the combined effect of the factors mentioned above including in particular the increase in our revenue coupled with the considerably smaller increase in our medical and dental professional services expenses as explained above, our profit before tax increased significantly by approximately 87.3% from approximately HK\$6.8 million for FY2013/14 to approximately HK\$12.7 million for FY2014/15.

### *Income tax expense*

Our income tax expense increased significantly by approximately 73.8% from approximately HK\$1.3 million for FY2013/14 to approximately HK\$2.2 million for FY2014/15, mainly as a result of the increase in our profit before tax as explained above.

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### *Profit for the year*

As a result of the aforesaid and in particular the effect of the increase in our revenue coupled with the considerably smaller increase in our medical and dental professional services expenses as explained above, our profit for the year increased by approximately 90.3% from approximately HK\$5.5 million for FY2013/14 to approximately HK\$10.5 million for FY2014/15.

### *Other comprehensive income*

Our other comprehensive income significantly increased by approximately 194.0% from approximately HK\$2.6 million for FY2013/14 to approximately HK\$7.7 million for FY2014/15, primarily due to the increase in surplus on revaluation of a leasehold property (see section headed “*Business — Properties — Owned property during the Track Record Period*” and property valuation set out in Appendix IV to this prospectus for further information), which was partially offset by the deferred tax arising from such revaluation.

### **Nine-month period ended 31 December 2015 compared to nine-month period ended 31 December 2014**

#### *Revenue*

Our Group’s revenue increased by approximately 11.4% from approximately HK\$60.4 million for the nine-month period ended 31 December 2014 to approximately HK\$67.3 million for the nine-month period ended 31 December 2015 mainly as a result of the combined effect of the following:

- (i) Our revenue generated from the provision of medical solutions to Contract Customers increased by approximately 10.9% from approximately HK\$35.0 million for the nine-month period ended 31 December 2014 to approximately HK\$38.8 million for the nine-month period ended 31 December 2015 mainly due to the addition of certain new Contract Customers for our medical solutions services.
- (ii) Our revenue generated from the provision of dental solutions to Contract Customers increased by approximately 16.3% from approximately HK\$4.7 million for the nine-month period ended 31 December 2014 to approximately HK\$5.4 million for the nine-month period ended 31 December 2015 mainly due to a general increase in our pricing for dental solutions services to Contract Customers upon contracts renewals.
- (iii) Our revenue generated from the provision of medical services to Self-paid Patients increased by approximately 18.4% from approximately HK\$9.2 million for the nine-month period ended 31 December 2014 to approximately HK\$10.9 million for the nine-month period ended 31 December 2015, as we recorded an increase in the number of visits by Self-paid Patients who were walk-in patients to our MediNet Centres from 6,996 in the nine-month period ended 31 December 2014 to 7,137 in the nine-month period ended 31 December 2015.
- (iv) Our revenue generated from the provision of dental services to Self-paid Patients increased by approximately 5.3% from approximately HK\$11.6 million for the nine-month period ended 31 December 2014 to approximately HK\$12.2 million for the nine-month period ended 31 December 2015, mainly as a result of the combined effect of (i) an increase in the average

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fee paid by Self-paid Patients to our Dental Clinics from HK\$441 for the nine-month period ended 31 December 2014 to HK\$466 for the nine-month period ended 31 December 2015; and (ii) slightly offset by a decrease in number of visits by Self-paid Patients to our Dental Clinics from 26,243 for the nine-month period ended 31 December 2014 to 26,138 for the nine-month period ended 31 December 2015 due to a slight decrease in demand from Self-paid Patients for dental services during the period.

### *Other income*

Other income increased by approximately 5.1% from approximately HK\$1,791,000 for the nine-month period ended 31 December 2014 to approximately HK\$1,882,000 for the nine-month period ended 31 December 2015, primarily due to an increase in other service income which included commission income from laboratory and other healthcare services providers, as well as an increase in dividend income derived from listed equity securities in Hong Kong.

### *Other gains and losses*

Our other gains and losses turned from a gain of approximately HK\$356,000 for the nine-month period ended 31 December 2014 to a loss of approximately HK\$956,000 for the nine-month period ended 31 December 2015, primarily due to (i) a decrease in the fair value of our held-for-trading investments (being listed equity securities in Hong Kong) as a result of the general downturn of the financial markets; and (ii) an increase in loss on written off of property, plant and equipment during the nine-month period ended 31 December 2015.

### *Medical and dental professional services expenses*

Our medical and dental professional services expenses increased by approximately 17.1% from approximately HK\$27.2 million for the nine-month period ended 31 December 2014 to approximately HK\$31.8 million for the nine-month period ended 31 December 2015, mainly as a result of the combined effect of the following:

- (i) The aggregate amount of fees to Affiliated Doctors and Affiliated Auxiliary Services Providers and reimbursements to Plan Members amounted to approximately HK\$23.6 million for the nine-month period ended 31 December 2014 and approximately HK\$26.4 million for the nine-month period ended 31 December 2015, representing an increase of approximately 12.0%. Such increase was mainly due to an increase in the amount of medical services received by Plan Members through our MediNet Network or reimbursed by us as a result of an increase in our active number of Contract Customers. The approximately 12.0% increase in the aggregate amount of fees to Affiliated Doctors and Affiliated Auxiliary Services Providers and reimbursements to Plan Members was also generally in line with our approximately 10.9% increase in our revenue from the provision of medical solutions to Contract Customers during the period as discussed above.
- (ii) Fees for engaging external dentists increased by approximately 49.2% from approximately HK\$1,138,000 for the nine-month period ended 31 December 2014 to approximately HK\$1,699,000 for the nine-month period ended 31 December 2015 as we experienced an increase in demand from Self-paid Patients for certain secondary dental care services which require the expertise of external dentists specialized in those areas to carry out.

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- (iii) Laboratory charges increased by approximately 26.0% from approximately HK\$2.5 million for the nine-month period ended 31 December 2014 to approximately HK\$3.1 million for the nine-month period ended 31 December 2015 as we experienced an increase in demand from Self-paid Patients for medical services offered at our MediNet Centres including health assessment services as well as dental services offered at our Dental Clinics, resulting in an increase in our demand for laboratory testing services.
- (iv) Fees to MediNet Doctors increased from nil for the nine-month period ended 31 December 2014 to approximately HK\$608,000 for the nine-month period ended 31 December 2015 due to the change in employment arrangement between our Group and our MediNet Doctors pursuant to the MediNet Doctors Agreement effective from 1 November 2015. As a result, fees to MediNet Doctors were recognised in “Staff cost” and “Medical and dental professional services expenses” before and after such effective date, respectively. For further details, please refer to the section headed “*Business — Compliance and legal proceedings — MediNet Doctors Agreements*” in this prospectus.

### ***Staff cost***

Our staff cost increased by approximately 3.4% from approximately HK\$15.0 million for the nine-month period ended 31 December 2014 to approximately HK\$15.5 million for the nine-month period ended 31 December 2015, primarily due to a general increase in salaries for our staff in April 2015.

### ***Depreciation of property, plant and equipment***

Depreciation of property, plant and equipment decreased by approximately 27.5% from approximately HK\$2,630,000 for the nine-month period ended 31 December 2014 to approximately HK\$1,906,000 for the nine-month period ended 31 December 2015, primarily as a result of the decrease of the carrying amount of property, plant and equipment from approximately HK\$85.5 million as at 31 March 2015 to approximately HK\$2.1 million as at 31 December 2015 due to the disposal of a leasehold property (for which the completion took place on 15 October 2015). Please refer to the section “*Business — Properties — Owned property during the Track Record Period*” for further details.

### ***Cost of medical and dental supplies***

Our cost of medical and dental supplies decreased by approximately 0.5% from approximately HK\$2,729,000 for the nine-month period ended 31 December 2014 to approximately HK\$2,716,000 for the nine-month period ended 31 December 2015. Such amounts for the both periods remained stable.

### ***Rental expenses***

Our rental expenses decreased by approximately 6.2% from approximately HK\$3,299,000 for the nine-month period ended 31 December 2014 to approximately HK\$3,094,000 for the nine-month period ended 31 December 2015, mainly due to a decrease in rental expenses for our Mong Kok Dental Clinic as a result of relocation to a premises in the same district with lower rents in late 2014.

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### *Other expenses*

Our other expenses increased by approximately 11.6% from approximately HK\$5,208,000 for the nine-month period ended 31 December 2014 to approximately HK\$5,812,000 for the nine-month period ended 31 December 2015, mainly due to an increase in fees to external websites for our business development initiatives and an increase in our other general administrative expenses as a result of the increased miscellaneous expenses for the Listing.

### *Finance costs*

Our finance costs decreased by approximately 26.8% from approximately HK\$730,000 for the nine-month period ended 31 December 2014 to approximately HK\$534,000 for the nine-month period ended 31 December 2015, mainly due to the decreasing principal amounts of our mortgage loan and our finance lease obligation over time after each monthly repayment, coupled with the relatively stable interest rates during the periods.

### *Listing expenses*

For each of the nine-month periods ended 31 December 2014 and 2015, we recognised Listing expenses of nil and approximately HK\$9.2 million respectively. Please refer to the paragraph headed “*Listing expenses*” below in this section for further information.

### *Profit/(loss) before tax*

Due to the combined effect of the factors mentioned above including in particular the recognition of significant non-recurring Listing expenses of approximately HK\$9.2 million for the nine-month period ended 31 December 2015, we recorded a loss before tax of approximately HK\$2.3 million for the nine-month period ended 31 December 2015, as opposed to a profit before tax of approximately HK\$5.8 million for the nine-month period ended 31 December 2014.

If the Listing expenses of approximately HK\$9.2 million were excluded, we would have recorded a profit before tax of approximately HK\$6.9 million for the nine-month period ended 31 December 2015, which was higher than the profit before tax of approximately HK\$5.8 million for the nine-month period ended 31 December 2014, mainly due to (i) increase in revenue of approximately HK\$6.9 million for the nine-month period ended 31 December 2015 as compared to the respective period in 2014 as a result of the increase in revenue generated from the provision of medical solutions to new Contract Customers; and partially offset by (ii) the recognition of other losses of approximately HK\$1.0 million for the nine-month period ended 31 December 2015 due to the decrease in the fair value of our held-for-trading listed equity securities (as opposed to other gains of approximately HK\$0.4 million for the nine-month period ended 31 December 2014) as a result of the general downturn of the financial markets during the nine-month period ended 31 December 2015; and (iii) the relatively moderate increase in medical and dental professional services expenses, staff cost and other expenses for the nine-month period ended 31 December 2015 as compared to the respective period in 2014.

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### *Income tax expense*

Despite the change from a profit before tax of approximately HK\$5.8 million for the nine-month period ended 31 December 2014 to a loss before tax of approximately HK\$2.3 million for the nine-month period ended 31 December 2015 as explained above, our income tax expense increased slightly from approximately HK\$1,078,000 for the nine-month period ended 31 December 2014 to approximately HK\$1,629,000 for the nine-month period ended 31 December 2015, mainly due to the effect of Listing expenses which were not deductible for tax purposes.

### *Profit/(loss) for the period*

As a result of the aforesaid and in particular the recognition of significant non-recurring Listing expenses of approximately HK\$9.2 million for the nine-month period ended 31 December 2015, we recorded a loss for the period of approximately HK\$4.0 million for the nine-month period ended 31 December 2015, as opposed to a profit for the period of approximately HK\$4.7 million for the nine-month period ended 31 December 2014.

If the Listing expenses of approximately HK\$9.2 million were excluded, we would have recorded a profit of approximately HK\$5.2 million for the nine-month period ended 31 December 2015, which was higher than the profit of approximately HK\$4.7 million for the nine-month period ended 31 December 2014, mainly due to (i) increase in revenue of approximately HK\$6.9 million for the nine-month period ended 31 December 2015 as compared to the respective period in 2014 as a result of the increase in revenue generated from the provision of medical solutions to new Contract Customers; and partially offset by (ii) the recognition of other losses of approximately HK\$1.0 million for the nine-month period ended 31 December 2015 due to the decrease in the fair value of our held-for-trading listed equity securities (as opposed to other gains of approximately HK\$0.4 million for the nine-month period ended 31 December 2014) as a result of the general downturn of the financial markets during the nine-month period ended 31 December 2015; and (iii) the relatively moderate increase in medical and dental professional services expenses, staff cost and other expenses for the nine-month period ended 31 December 2015 as compared to the respective period in 2014.

### *Other comprehensive income*

Our other comprehensive income decreased by approximately 2.2% from approximately HK\$1,690,000 for the nine-month period ended 31 December 2014 to approximately HK\$1,652,000 for the nine-month period ended 31 December 2015, primarily due to a decrease in surplus on revaluation of a leasehold property (see section headed “*Business — Properties — Owned property during the Track Record Period*” and property valuation set out in Appendix IV to this prospectus for further information), which was partially offset by the deferred tax arising from such revaluation.

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### Reason for the increasing percentage of revenue derived from Self-paid Patients

The following table sets out a breakdown of our revenue derived from Contract Customers and Self-paid Patients during the Track Record Period:

	FY2013/14		FY2014/15		Nine-month period ended 31 December			
	HK\$'000	%	HK\$'000	%	2014 (unaudited)	%	2015	%
<b>Revenue derived from Contract Customers</b>								
— Medical solutions	49,344	63.7	48,313	55.6	34,987	57.9	38,818	57.6
— Dental solutions	6,431	8.3	7,194	8.3	4,680	7.7	5,441	8.1
Sub-total	55,775	72.0	55,507	63.9	39,667	65.6	44,259	65.7
<b>Revenue derived from Self-paid Patients</b>								
— Medical services	9,013	11.6	13,142	15.1	9,200	15.2	10,895	16.2
— Dental services	12,732	16.4	18,284	21.0	11,570	19.2	12,179	18.1
Sub-total	21,745	28.0	31,426	36.1	20,770	34.4	23,074	34.3
	77,520	100.0	86,933	100.0	60,437	100.0	67,333	100.0

The percentage of our revenue derived from Self-paid Patients increased from approximately 28.0% FY2013/14 to approximately 36.1% for FY2014/15, mainly caused by an increase in our revenue from the provision of both medical and dental services to Self-paid Patients.

As explained above, the increase in our revenue from the provision of medical services to Self-paid Patients in FY2014/15 was primarily due to a lower base figure for FY2013/14 as a result of our temporary close down of part of our Tsim Sha Tsui MediNet Centre for approximately two months in FY2013/14 for renovation, which affected the business at our Tsim Sha Tsui MediNet Centre. In addition, we also recorded an increase in the number of visits by Self-paid Patients to our MediNet Centres in FY2014/15, which further contributed to the increase in our revenue generated from the provision of medical services to Self-paid Patients. On the other hand, the increase in our revenue from the provision of dental services to Self-paid Patients in FY2014/15 was primarily due to our effort in encouraging our Dentists to focus more on providing secondary dental care services with higher values (such as therapeutic and dental cosmetic care treatments) while assigning Dental Hygienists to take care of patients requiring only basic dental care services with lower values such as scaling and polishing. In addition, we also recorded an increase in the number of visits by Self-paid Patients to our Dental Clinics in FY2014/15, which further contributed to the increase in our revenue generated from the provision of dental services to Self-paid Patients.

For each of the nine-month periods ended 31 December 2014 and 2015, the percentage of our revenue derived from Self-paid Patients remained relatively steady at approximately 34.4% and 34.3% respectively.

Going forward, our Directors intend to continue to focus on the business development of both of our (a) provision of medical and dental solutions to Contract Customers and (b) provision of medical and dental services to Self-paid Patients, with our business development efforts targeting at both Contract Customers and Self-paid Patients. As disclosed in the section headed “*Future plans and use of*

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*proceeds*” in this prospectus, we intend to (i) expand 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 larger premises in the respective same districts; (ii) purchase a property for our operation of Dental Clinic in Causeway Bay; and (iii) expand our MediNet Network by increasing the number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network and broadening the range of auxiliary services coverage in the relevant corporate medical benefits plans for our Contract Customers. Our Directors expect that such future plans will enhance our services to both Contract Customers as well as Self-paid Patients as such future plans could, in our Directors’ opinion, potentially increase the attractiveness of our services to both Plan Members and Self-paid Patients. The planned relocation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui will also increase our service capacity to both Plan Members and Self-paid Patients, thereby leading to a potential increase in revenue derived from both Contract Customers and Self-paid Patients. However, our Directors consider that it may not be practicable to predict the effect of such future plans on the potential changes in the percentage of our revenue derived from Contract Customers and Self-paid Patients. Save as discussed above, our Directors currently do not foresee any material factors that could lead to a significant change in the percentage of our revenue derived from Contract Customers and Self-paid Patients going forward.

### ACCUMULATED LOSSES

Our Group recorded accumulated losses as at 1 April 2013 and 31 March 2014 in our consolidated statements of changes in equity:

	As at			
	1 April 2013	31 March 2014	31 March 2015	31 December 2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
(Accumulated losses) Retained profits	(14,100)	(8,558)	1,991	1,612

The accumulated losses of approximately HK\$14.1 million as at 1 April 2013 was mainly caused by the combined effect of the following factors:

- (i) Throughout our history up to 1 April 2013, we have declared and paid dividends in the aggregate amount of HK\$40.2 million, which significantly reduced the retained profits of our profitable subsidiaries.
- (ii) Well Being Dental acquired a residential property located at House 57, Cedar Drive, Redhill Peninsula, Tai Tam, Hong Kong in June 2009 for use as the residence of Mr. Chan and Ms. Jiang (see section headed “*Business — Properties — Owned property during the Track Record Period*” for further information). After the acquisition of such property, Well Being Dental incurred substantial amount of finance costs for the mortgage loan as well as depreciation charges in relation to such leasehold property, which were unrelated to the operation of our Group but which nonetheless resulted in Well Being Dental becoming loss-making afterwards. Such depreciation charges and finance costs accumulated in an aggregate amount of approximately HK\$8.5 million and HK\$11.2 million as at 1 April 2013 and 31 March 2014, respectively. As a result of the above and coupled with the declaration and payment of dividends by Well Being Dental in the financial year ended 31 March 2010

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which substantially wiped out its retained profits, Well Being Dental recorded accumulated losses as at 1 April 2013. Well Being Dental has disposed of the residential property in October 2015 and has therefore ceased to incur the aforesaid finance costs and depreciation charges in relation to the property.

- (iii) Men's Health Solutions recorded accumulated losses as at 1 April 2013 of approximately HK\$2.4 million. It was incorporated in October 2003 and had been loss-making up to the financial year ended 31 March 2009. Accumulated losses amounted to approximately HK\$4.4 million as at 31 March 2009. Since the financial year ended 31 March 2010, due to our efforts in improving its operations, Men's Health Solutions started to record profits and its accumulated losses started to decrease. Despite this, it still recorded accumulated losses as at 1 April 2013. During FY2013/14, we temporarily closed down part of our Tsim Sha Tsui MediNet Centre for approximately two months for renovation such that, among other things, a designated separate area has been set up for our men's health treatments services after the renovation for higher privacy and comfort for our Self-paid Patients seeking men's health treatments at our MediNet Centre in Tsim Sha Tsui. This resulted in a substantial further improvement in the operation and profitability of Men's Health Solutions during the Track Record Period.

We recorded a decrease in our accumulated losses to approximately HK\$8.6 million as at 31 March 2014, which further improved to become retained profits of approximately HK\$2.0 million as at 31 March 2015, mainly due to the profitable operations of our Group in FY2013/14 and FY2014/15 respectively.

As at 31 December 2015, we recorded retained profits of approximately HK\$1.6 million, which was due to our loss-making nine-month period ended 31 December 2015 mainly as a result of the recognition of substantial amount of Listing expenses during the period.

### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our working capital and to fund our business expansion. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Placing to finance a portion of our liquidity requirements.

As at 31 March 2016, we had cash and bank balances of approximately HK\$20.1 million and we had no unutilised banking facilities.

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### Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	FY2013/14	FY2014/15	Nine-month period ended 31 December	
			2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Net cash generated from (used in) operating activities	4,830	14,125	8,659	(2,300)
Net cash (used in) generated from investing activities	(2,453)	(5,365)	(3,381)	15,878
Net cash generated from (used in) financing activities	<u>5,648</u>	<u>(7,450)</u>	<u>(5,912)</u>	<u>(3,963)</u>
Net increase (decrease) in cash and cash equivalents	8,025	1,310	(634)	9,615
Cash and cash equivalents at beginning of year/period	<u>1,190</u>	<u>9,215</u>	<u>9,215</u>	<u>10,525</u>
Cash and cash equivalents at end of year/period, represented by bank balances and cash	<u><u>9,215</u></u>	<u><u>10,525</u></u>	<u><u>8,581</u></u>	<u><u>20,140</u></u>

### *Cash flows from operating activities*

Our operating cash inflow is primarily derived from our revenue from the provision of medical and dental solutions to Contract Customers and the provision of medical and dental services to Self-paid Patients whereas our operating cash outflow mainly includes payment for medical and dental professional services expenses, staff costs, rental expenses, purchase of medical and dental supplies, as well as other working capital needs. Net cash generated from operations primarily consisted of profit before tax adjusted for depreciation of property, plant and equipment, finance costs, interest income, dividend income, unrealised gain or loss on change in fair value of held-for-trading investments, and the effect of changes in working capital such as increase or decrease in accounts and other receivables and payables as well as held-for-trading investments.

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The following table sets forth a reconciliation of our profit before tax to net cash generated from operating activities:

	FY2013/14	FY2014/15	Nine-month period ended 31 December	
			2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
<b>Operating activities</b>				
Profit before tax	6,800	12,736	5,795	(2,347)
Adjustments for:				
Interest income	(410)	(424)	(376)	(313)
Depreciation of property, plant and equipment	3,654	3,656	2,630	1,906
Finance costs	939	958	730	534
Dividend income	(292)	(51)	(51)	(139)
Unrealised loss (gain) on change in fair value of held-for-trading investments	35	(617)	(256)	825
Loss on written off of property, plant and equipment	—	—	—	131
	<u>—</u>	<u>—</u>	<u>—</u>	<u>131</u>
Operating cash flows before movements in working capital	10,726	16,258	8,472	597
Increase in held-for-trading investments	(694)	(3,307)	(2,224)	—
(Increase) decrease in accounts and other receivables	(3,993)	(2,124)	1,034	(2,791)
(Decrease) increase in accounts and other payables	(1,068)	926	1,439	(110)
	<u>(1,068)</u>	<u>926</u>	<u>1,439</u>	<u>(110)</u>
Cash generated from (used in) operations	4,971	16,001	8,721	(2,304)
Hong Kong profits tax (paid) refunded	(141)	(1,876)	(62)	4
	<u>(141)</u>	<u>(1,876)</u>	<u>(62)</u>	<u>4</u>
Net cash from (used in) operating activities	<u>4,830</u>	<u>14,125</u>	<u>8,659</u>	<u>(2,300)</u>

Cash flows from operating activities can be affected considerably by factors such as the amount and timing of collection of accounts receivables from customers as well as the amount and timing of payment of accounts payables to suppliers during our ordinary course of business. During the Track Record Period, our cash flows from operating activities were also affected by cash flows arising from the trading of held-for-trading investments.

For each of FY2013/14 and FY2014/15, we recorded net cash generated from operating activities of approximately HK\$4.8 million and approximately HK\$14.1 million respectively, which was mainly as a result of cash generated from our profitable operations, while partially offset by net cash used in purchasing held-for-trading listed equity securities in Hong Kong.

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For the nine-month period ended 31 December 2015, we recorded net cash used in operating activities of approximately HK\$2.3 million due to our loss recorded for the period, which was mainly because a substantial amount of Listing expenses was recognised for the period but which had not yet been paid as of 31 December 2015.

### *Cash flows from investing activities*

During the Track Record Period, our cash inflows from investing activities included dividends received from held-for-trading equity securities, repayments from related parties and Mr. Chan to us and interest received from bank deposits, while our cash outflows from investing activities included cash used in leasehold improvements, purchase of professional equipment and furniture and fixtures as well as cash advances from us to related parties and Mr. Chan.

For FY2013/14, we recorded net cash used in investing activities of approximately HK\$2.5 million million, which was mainly due to cash used in (i) leasehold improvements and purchase of professional equipment and furniture and fixtures which amounted to an aggregate of approximately HK\$1.7 million; and (ii) cash advances to various related parties which amounted to an aggregate of approximately HK\$1.1 million; which were partially offset by dividends and interest received.

For FY2014/15, we recorded net cash used in investing activities of approximately HK\$5.4 million, which was mainly due to cash used in (i) cash advances to related parties which amounted to an aggregate of approximately HK\$4.9 million; and (ii) leasehold improvements and purchase of professional equipment and furniture and fixtures which amounted to an aggregate of approximately HK\$1.2 million; which were partially offset by repayment from related parties as well as dividends and interest received.

For nine-month period ended 31 December 2015, we recorded net cash generated from investing activities of approximately HK\$15.9 million, which was mainly due to cash generated from (i) repayment from Mr. Chan of approximately HK\$20.2 million; and (ii) dividends received from held-for-trading equity securities which amounted to approximately HK\$139,000, partially offset by (i) cash advances to related parties and Mr. Chan which amounted to an aggregate of approximately HK\$3.9 million; and (ii) leasehold improvements and purchase of professional equipment and furniture and fixtures which amounted to an aggregate of approximately HK\$481,000.

### *Cash flows from financing activities*

During the Track Record Period, our cash inflows from financing activities mainly included proceeds from new borrowings, advances from Mr. Chan, advances from related parties, and proceeds from issue of shares, while our cash outflows from financing activities mainly included cash used in repayments of borrowings, repayments to related parties and Mr. Chan, and payment of interest on borrowings.

For FY2013/14, we recorded net cash generated from financing activities of approximately HK\$5.6 million, which was mainly due to cash generated from proceeds from new bank borrowings of approximately HK\$16.5 million and advances from Mr. Chan and related parties in the aggregate amount of approximately HK\$5.9 million, partially offset by repayments of bank borrowings and finance

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lease obligation in the aggregate amount of approximately HK\$7.3 million, payment of interest of approximately HK\$0.9 million, and repayments of amounts due to related parties and Mr. Chan in the aggregate amount of approximately HK\$8.5 million.

For FY2014/15, we recorded net cash used in financing activities of approximately HK\$7.5 million, which was mainly due to cash used in repayment of bank borrowings and finance lease obligation in the aggregate amount of approximately HK\$3.0 million, payment of interest of approximately HK\$1.0 million, and repayment of amounts due to related parties and Mr. Chan in the aggregate amount of approximately HK\$5.8 million, partially offset by proceeds from new bank borrowings of HK\$1.9 million and advance from Mr. Chan of approximately HK\$0.5 million.

For the nine-month period ended 31 December 2015, we recorded net cash used in financing activities of approximately HK\$4.0 million, which was mainly due to cash used in repayment of bank borrowings and finance lease obligation in the aggregate amount of approximately HK\$2.3 million, payment of interest of approximately HK\$0.5 million, and repayment of amounts due to related parties and Mr. Chan of approximately HK\$1.4 million.

### Capital expenditures

Our business operations do not require a substantial amount of investments in machinery or equipment save as certain professional equipment installed at our Dental Clinics for use in the provision of dental services to Plan Members and Self-paid Patients. For each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, our capital expenditures for additions of professional equipment amounted to approximately HK\$70,000, HK\$116,000 and HK\$128,000 respectively.

During the Track Record Period, we had other capital expenditures incurred for leasehold improvements in respect of our various premises for use in our operations as well as for purchases of furniture and fixtures for our various premises.

The following table sets out a breakdown of our capital expenditures during the Track Record Period:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvements	1,094	996	231
Professional equipment	70	116	128
Furniture and fixtures	<u>531</u>	<u>123</u>	<u>122</u>
	<u><u>1,695</u></u>	<u><u>1,235</u></u>	<u><u>481</u></u>

### Working capital

Our Directors are of the opinion that, taking into consideration our internal resources, cash generated from our operation, and the estimated net proceeds from the Placing, we have sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

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### NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 March		As at 31 December	As at 31 March
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current assets</b>				
Held-for-trading investments	659	4,583	3,758	3,413
Accounts and other receivables	14,166	12,143	14,818	17,720
Amounts due from related parties	1,803	19,394	92	352
Amount due from a director	—	—	185	660
Bank balances and cash	9,215	10,525	20,140	22,054
Inventory	—	—	—	504
	<u>25,843</u>	<u>46,645</u>	<u>38,993</u>	<u>44,703</u>
<b>Current liabilities</b>				
Accounts and other payables	18,046	18,972	18,862	24,137
Amount due to a director	6,420	1,496	—	—
Amounts due to related parties	969	522	—	—
Bank borrowings	18,764	19,136	—	—
Obligation under a finance lease	343	88	—	—
Taxation payable	826	911	2,474	602
	<u>45,368</u>	<u>41,125</u>	<u>21,336</u>	<u>24,739</u>
<b>Net current (liabilities) assets</b>	<u>(19,525)</u>	<u>5,520</u>	<u>17,657</u>	<u>19,964</u>

We recorded net current liabilities of approximately HK\$19.5 million as at 31 March 2014. The net current liabilities position was primarily due to (i) the lock-up of a significant amount of our financial resources in the form of a leasehold property which was classified under our non-current asset; (ii) the current portion of the mortgage loan in connection with such property which was classified under our current liabilities; and (iii) the classification of a substantial amount due from a related party (being MediNet Holdings) of approximately HK\$13.0 million under our non-current asset (rather than current asset) as at 31 March 2014 because such amount due from MediNet Holdings represented a three-year unsecured and interest-free loan advanced by our Group to MediNet Holdings in November 2012 and was therefore non-current (i.e. not to be repaid within 12 months) as at 31 March 2014 (and such amount was subsequently re-classified under our current assets as at 31 March 2015 as such amount due from MediNet Holdings became repayable within 12 months as at those respective reporting dates and was fully repaid in November 2015).

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The aforesaid leasehold property was a residential property located at House 57, Cedar Drive, Redhill Peninsula, Tai Tam, Hong Kong which was purchased by Well Being Dental in June 2009 for use as the residence of Mr. Chan and Ms. Jiang. It was pledged as security for mortgage loan with an outstanding principal amount of approximately HK\$20.2 million, HK\$19.1 million and nil as at 31 March 2014, 31 March 2015 and 31 December 2015 respectively. Well Being Dental has, on 12 August 2015, entered into a sale and purchase agreement for the disposal of such property for a consideration of HK\$83.5 million and the completion of such disposal took place on 15 October 2015. For further information regarding the property, please refer to the section “*Business — Properties — Owned property during the Track Record Period*” in this prospectus and the property valuation set out in Appendix IV to this prospectus. For further information regarding our borrowings, please refer to the paragraph headed “*Indebtedness*” below in this section.

As at 31 March 2015, we ceased to be in a net current liabilities position and we recorded net current assets of approximately HK\$5.5 million. This was primarily due to the combined effect of (i) increase in our current assets as a result of our profitable operations and cash inflows generated from our operating activities; (ii) the re-classification of a substantial amount due from a related party (being MediNet Holdings) from non-current asset to current asset as discussed above.

As at 31 December 2015, our net current asset significantly increased to approximately HK\$17.7 million. This was mainly because (i) all bank borrowings were settled upon the disposal of the leasehold property by Well Being Dental, as mentioned above; and (ii) amounts due from related parties decreased and bank balances and cash increased as compared to that as at 31 March 2015 mainly as a result of the repayment from related parties during the nine-month period ended 31 December 2015.

As at 31 March 2016, being the latest practicable date for ascertaining our net current assets position, our net current asset further increased to approximately HK\$20.0 million, mainly due to an increase in our current assets including accounts receivables and bank balances and cash generated from our operations.

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

### **Held-for-trading investments**

As at 31 March 2014, 31 March 2015 and 31 December 2015, we had held-for-trading investments which amounted to approximately HK\$659,000, HK\$4,583,000 and HK\$3,758,000 respectively. Such held-for-trading investments included certain equity securities listed on the Stock Exchange, which were purchased with our idle funds in the past and held for trading purposes.

We have no intention to acquire additional listed equity securities or other held-for-trading investments after Listing. After Listing, where funds are required for implementing our future plans and business strategies and depending on our available financial resources from time to time as well as the general stock market condition in Hong Kong, we will consider selling some or all of our held-for-trading investments as and when appropriate.

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Our held-for-trading investments are measured at fair value at the end of each reporting period. The following table sets out information about how the fair values of these held-for-trading investments are determined:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique	
	31 March 2014	31 March 2015			31 December 2015
Held-for-trading investments	Listed equity securities — Insurance industry — HK\$659,000	Listed equity securities — Insurance industry — HK\$1,019,000 — Pharmaceutical industry — HK\$427,000 — Banking industry — HK\$1,417,000 — Telecommunication industry — HK\$1,720,000	Listed equity securities — Insurance industry — HK\$751,000 — Pharmaceutical industry — HK\$351,000 — Banking industry — HK\$1,168,000 — Telecommunication industry — HK\$1,488,000	Level 1 ( <i>Note</i> )	Quoted bid prices in an active market

*Note:* Level 1 means that the fair value measurements are based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

### Accounts and other receivables

Our accounts and other receivables as at 31 March 2014 and 2015 and 31 December 2015 amounted to approximately HK\$15.2 million, approximately HK\$13.0 million and approximately HK\$15.9 million, respectively. The following table sets forth a breakdown of our accounts and other receivables:

	As at 31 March		As at
	2014	2015	31 December 2015
	HK\$'000	HK\$'000	HK\$'000
Accounts receivables	8,805	10,238	8,214
Other receivables	5,128	1,557	3,170
Prepayments	139	246	3,163
Rental and utility deposits	<u>1,078</u>	<u>985</u>	<u>1,270</u>
Total accounts and other receivables	<u>15,150</u>	<u>13,026</u>	<u>15,817</u>
Less: Receivables within twelve months shown under current assets	<u>(14,166)</u>	<u>(12,143)</u>	<u>(14,818)</u>
Rental deposits shown under non-current assets	<u>984</u>	<u>883</u>	<u>999</u>

Accounts receivables primarily comprise receivables due from Contract Customers under fee-for-service contracts, where we would charge our Contract Customers each time when a relevant Plan Member receives medical services as covered under the relevant medical benefits plan through our MediNet Network. Payments from such Contract Customers are normally settled within 60 to 90 days from the invoice date. On the other hand, Contract Customers under annual retainer contracts typically

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pay us in advance. We also accept payments by credit card (and, in certain cases, EPS) from Self-paid Patients at our MediNet Centres and Dental Clinics, where the relevant amounts are classified as accounts receivables until they are settled by the relevant banks or financial institutions, usually within a few days after the transaction date. We do not hold any collateral over accounts receivables balances.

Our accounts receivables increased by approximately 16.3% from approximately HK\$8.8 million as at 31 March 2014 to approximately HK\$10.2 million as at 31 March 2015, primarily due to the combined effect of (i) an increase in our revenue; (ii) a delay in billing to and payment from a Contract Customer due to negotiation for contract renewal in March 2015, resulting in a relatively large amount of accounts receivables from such Contract Customer as at 31 March 2015 but not as at 31 March 2014; and (iii) a severe winter influenza season in early 2015 (which, as announced by the Department of Health of the Government on 22 April 2015 upon the end of such four-month-long winter influenza season, caused 641 severe cases and 495 deaths, compared to 266 severe cases and 133 deaths in the winter influenza season in early 2014), resulting in a higher amount of usage of medical services by Plan Members through our MediNet Network in the first quarter of 2015, and thus a higher outstanding amount of accounts receivables from Contract Customers under fee-for-service contracts as at 31 March 2015.

Our accounts receivables decreased by approximately 19.8% from approximately HK\$10.2 million as at 31 March 2015 to approximately HK\$8.2 million as at 31 December 2015, primarily due to the absence of the effect of factors (ii) and (iii) discussed in the preceding paragraph.

Other receivables mainly comprised sales proceeds receivable from disposals of held-for-trading investments as well as administrative service income receivable from the provision of administrative support services. Fluctuations in our other receivables as at 31 March 2014 and 2015 and 31 December 2015 were mainly due to our trading activities in listed equity securities close to the reporting period-end dates as well as fluctuations in the amount of administrative service income receivables.

Prepayments mainly included prepayments for our purchase of insurance policies and for rental of storage as well as prepayment of Listing expenses to be accounted for as a deduction from equity upon Listing. The significant increase in prepayments from approximately HK\$0.2 million as at 31 March 2015 to approximately HK\$3.2 million as at 31 December 2015 was mainly due to the recognition of prepayment of Listing expenses to be accounted for as a deduction from equity upon Listing. Rental and utility deposits represented deposits made to the landlords of our various leased premises and the utility companies.

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The following table sets forth our accounts receivables turnover during the Track Record Period:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivables turnover days ( <i>Note</i> )	<u>39.5 days</u>	<u>40.0 days</u>	<u>37.7 days</u>

*Note:* Accounts receivables turnover days is calculated based on the average of the beginning and ending balance of accounts receivables (not including other receivables, prepayments and rental and utility deposits) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2013/14 and FY2014/15 and 275 days for the nine-month period ended 31 December 2015).

Our accounts receivables turnover days were approximately 39.5 days, 40.0 days and 37.7 days for FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 respectively, which remained relatively stable.

The following sets out an ageing analysis of our accounts receivables based on the invoice dates:

	<b>As at 31 March</b>		<b>As at 31 December</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4,019	5,555	3,848
31 to 60 days	3,954	2,566	2,883
61 to 90 days	829	1,641	1,132
91 to 180 days	<u>3</u>	<u>476</u>	<u>351</u>
	<u>8,805</u>	<u>10,238</u>	<u>8,214</u>

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As at 31 March 2014, 31 March 2015 and 31 December 2015, the majority of our accounts receivables were neither past due nor impaired:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>31 December</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	8,802	9,762	7,863
Overdue by:			
1–30 days	3	450	313
31–60 days	—	26	—
61–90 days	—	—	31
91–180 days	—	—	7
	3	476	351
	8,805	10,238	8,214

As at 31 March 2014, 31 March 2015 and 31 December 2015, we have not recognised any allowance for doubtful debts because there has not been any significant change in credit quality and the amounts that were past due were considered recoverable.

Up to the Latest Practicable Date, approximately 99.3% (or approximately HK\$8,156,000) of our accounts receivables as at 31 December 2015 had been settled:

	<b>As at</b>		
	<b>31 December</b>	<b>Subsequent settlement up to</b>	
	<b>2015</b>	<b>the Latest Practicable Date</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Within 30 days	3,848	3,838	99.8
31 to 60 days	2,883	2,860	99.2
61 to 90 days	1,132	1,126	99.4
91 to 180 days	351	332	94.7
	8,214	8,156	99.3
	8,214	8,156	99.3

As the majority of our revenue during the Track Record Period was derived from the provision of medical solutions and dental solutions to Contract Customers which mainly comprised insurance companies and corporations, our Directors consider that our credit risk in relation to the collection of our accounts receivables is relatively low.

Our Directors confirm that we had not experienced any material defaults of accounts receivables during the Track Record Period and up to the Latest Practicable Date.

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### Accounts and other payables

Our accounts and other payables as at 31 March 2014 and 2015 and 31 December 2015 amounted to approximately HK\$18.0 million, approximately HK\$19.0 million and approximately HK\$18.9 million respectively. The following table sets forth a breakdown of our accounts and other payables:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>31 December</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
			<i>HK\$'000</i>
Accounts payables	13,149	11,127	8,653
Other payables	641	367	1,237
Receipt in advance	2,846	5,196	4,692
Accrued expenses	1,410	2,282	4,280
	18,046	18,972	18,862

Accounts payables mainly comprise payables to our suppliers such as Affiliated Doctors, Affiliated Auxiliary Services Providers, external dentists, suppliers of drugs and medicine and other consumables, and laboratories engaged by us for blood, urine, stool and other testing procedures and X-ray imaging. Other payables mainly comprise payables for administrative and other miscellaneous items and expenses. Receipt in advance mainly represents receipts from Contract Customers under annual retainer contracts who pay annual fees for Plan Members to us in advance. Accrued expenses mainly comprise accruals for staff salaries and allowances as well as accrued Listing expenses.

Accounts payables decreased by approximately 15.4% from approximately HK\$13.1 million as at 31 March 2014 to approximately HK\$11.1 million as at 31 March 2015, and further decreased to approximately HK\$8.7 million as at 31 December 2015, mainly due to our shorter payment process to Affiliated Doctors for further strengthening our relationship with them.

Receipt in advance increased by approximately 82.6% from approximately HK\$2.8 million as at 31 March 2014 to approximately HK\$5.2 million as at 31 March 2015, mainly due to the receipt of two relatively large sums of annual fees for our corporate medical solutions services in early 2015 from two annual retainer Contract Customers who were previously charged under the fee-for-service model. Receipt in advance decreased to approximately HK\$4.7 million as at 31 December 2015, mainly due to the increase in amount of annual fees received from annual retainer Contract Customers for our corporate medical solutions services.

Accrued expenses increased by approximately 61.8% from approximately HK\$1.4 million as at 31 March 2014 to approximately HK\$2.3 million as at 31 March 2015, mainly due to the increase in accrued commissions to Dentists due to the increase in our revenue from the provision of dental services to Self-paid Patients. Accrued expenses further increased significantly to HK\$4.3 million as at 31 December 2015, mainly due to the recognition of accrued Listing expenses during the nine-month period ended 31 December 2015.

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The following table sets forth an ageing analysis of accounts payables based on the invoice dates:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>31 December</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2015</b>
Within 30 days	3,979	2,997	3,571
31 to 60 days	2,612	2,573	2,391
61 to 90 days	3,160	3,003	2,532
91 to 180 days	3,208	2,554	159
Over 180 days	<u>190</u>	<u>—</u>	<u>—</u>
	<u><u>13,149</u></u>	<u><u>11,127</u></u>	<u><u>8,653</u></u>

Up to Latest Practicable Date, approximately 98.3% (or approximately HK\$8.5 million) of our accounts payables as at 31 December 2015 had been settled.

The normal credit periods in respect of our accounts payables range from 30 to 120 days. The following table sets out our accounts payables turnover days as during the Track Record Period:

	<b>FY2013/14</b>	<b>FY2014/15</b>	<b>Nine-month period ended 31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Accounts payables turnover days ( <i>Note</i> )	<u>112.9 days</u>	<u>107.3 days</u>

*Note:* Accounts payables turnover days is calculated based on the average of the beginning and ending balance of accounts payables (not including other payables, receipt in advance, and accrued expenses) divided by the sum of medical and dental professional services expenses and cost of medical and dental supplies for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2013/14 and FY2014/15 and 275 days for the nine-month period ended 31 December 2015).

Our accounts payables turnover days were approximately 112.9 days, 107.3 days and 78.8 days for FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 respectively, which were within our normal payment period of 30 to 120 days.

### **Amounts due to/from related parties and due to a Director**

As at 31 March 2014, 31 March 2015 and 31 December 2015, amount due from a related party of approximately HK\$13.0 million, HK\$13.5 million and nil respectively represent a three-year unsecured and interest-free loan advanced by our Group to MediNet Holdings in November 2012. Such amount due from MediNet Holdings was classified under our non-current assets as at 31 March 2014 because such amount was not to be repaid within 12 months as at 31 March 2014. Such amount due from MediNet Holdings was subsequently re-classified under our current assets as at 31 March 2015 as such amount due from MediNet Holdings became repayable within 12 months as at those respective reporting dates and was fully repaid in November 2015.

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Save as the above, the amounts due from/(to) a Director and related parties are unsecured, interest-free and repayable on demand. No collateral is held over these balances by our Group.

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

	Maximum balance outstanding during						
	As at	As at 31 March		As at	the year ended 31 March		the nine-
	1 April	2014	2015	31 December	2014	2015	month ended
	2013			2015			31 December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2015
							HK\$'000
<b>Amounts due from related parties — current</b>							
Unicare Limited	696	1,717	2,924	—	1,717	2,924	2,924
Medinet International	46	46	51	—	46	51	55
MediNet Dental Services Limited	10	13	18	—	13	18	38
MediNet Holdings	—	27	13,515	92	27	13,515	13,735
Times Insurance Consultants Limited	—	—	2,886	—	—	2,886	6,613
	<u>752</u>	<u>1,803</u>	<u>19,394</u>	<u>92</u>			
<b>Amount due from a related party — non-current</b>							
MediNet Holdings	<u>12,410</u>	<u>12,986</u>	<u>—</u>	<u>—</u>	<u>12,986</u>	<u>—</u>	<u>—</u>
<b>Amount due from a director</b>							
<i>Name of director</i>							
Mr. Chan	<u>—</u>	<u>—</u>	<u>—</u>	<u>185</u>	<u>—</u>	<u>—</u>	<u>185</u>

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
			HK\$'000
<b>Amount due to a director</b>			
<i>Name of director</i>			
Mr. Chan	<u>6,420</u>	<u>1,496</u>	<u>—</u>
<b>Amounts due to related parties</b>			
Synergy Healthcare Limited	648	522	—
Times Insurance Consultants Limited	<u>321</u>	<u>—</u>	<u>—</u>
	<u>969</u>	<u>522</u>	<u>—</u>

Each of Unicare Limited, Times Insurance Consultants Limited and Synergy Healthcare Limited was wholly owned by MediNet Holdings during the Track Record Period. As of the Latest Practicable Date, such companies had been disposed of by MediNet Holdings to certain independent third parties.

MediNet Holdings is an investment holding company incorporated in Hong Kong with limited liability, which is 100% beneficially owned by Mr. Chan.

MediNet Dental Services Limited is a property holding company controlled by Mr. Chan during the Track Record Period and up to the Latest Practicable Date. In November 2015, MediNet Dental Services Limited filed a notification of change of company name with the Companies Registry of the Government to change its name to Daily Wise International Limited pursuant to a special resolution for the change of company name passed on 23 November 2015.

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Medinet International is an investment holding company incorporated in the BVI with limited liability, which is wholly and beneficially owned by Mr. Chan and is one of the Controlling Shareholders of our Company upon completion of the Reorganisation.

All amounts due from or to the aforementioned companies and Mr. Chan were subsequently fully repaid in November 2015.

### INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the dates indicated. As at 31 March 2016, apart from intra-group balances, we did not have any other borrowings, mortgages, charges, debentures, or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptance, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees. Since 31 March 2016, there has been no material adverse change in our indebtedness. Our Directors confirmed that we did not experience any withdrawal of facilities, default in payment of accounts and other payables or bank borrowings, or breach of financial covenants, and had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, none of our Group's borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings. As at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing. During the Track Record Period and up to the Latest Practicable Date, we had no exposure to liabilities denominated in currency other than HK\$.

			As at	As at
	As at 31 March	31 December	31 December	31 March
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current:</b>				
Bank borrowings	18,764	19,136	—	—
Obligation under a finance lease	343	88	—	—
Amount due to a Director	6,420	1,496	—	—
Amount due to related parties	969	522	—	—
	<u>26,496</u>	<u>21,242</u>	<u>—</u>	<u>—</u>
<b>Non-current:</b>				
Bank borrowings	19,052	17,902	—	—
Obligation under a finance lease	88	—	—	—
	<u>19,140</u>	<u>17,902</u>	<u>—</u>	<u>—</u>

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### Bank borrowings

The following table sets out details of our bank borrowings as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 31 December</b>	<b>As at 31 March</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Shown under current liabilities	18,764	19,136	—	—
Shown under non-current liabilities	<u>19,052</u>	<u>17,902</u>	<u>—</u>	<u>—</u>
	<u><u>37,816</u></u>	<u><u>37,038</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Bank loan	17,639	17,987	—	—
Mortgage loan	<u>20,177</u>	<u>19,051</u>	<u>—</u>	<u>—</u>
	<u><u>37,816</u></u>	<u><u>37,038</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Secured	37,771	35,224	—	—
Unsecured	<u>45</u>	<u>1,814</u>	<u>—</u>	<u>—</u>
	<u><u>37,816</u></u>	<u><u>37,038</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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Our bank borrowings were repayable as follows:

	<b>As at 31 March</b>		<b>As at 31 December</b>	<b>As at 31 March</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Carrying amounts repayable</b>				
Within one year	1,125	1,150	—	—
More than one year, but not exceeding two years	1,150	1,176	—	—
More than two years, but not more than five years	3,609	3,688	—	—
More than five years	<u>14,293</u>	<u>13,037</u>	<u>—</u>	<u>—</u>
	20,177	19,051	—	—
Carrying amounts of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	11,467	13,286	—	—
Carrying amounts of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	<u>6,172</u>	<u>4,701</u>	<u>—</u>	<u>—</u>
	<u><u>37,816</u></u>	<u><u>37,038</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

Our mortgage loan was used for financing the purchase of our leasehold property while our bank loan was used for financing our daily operations. In view of our financial resources following the completion of the disposal of the leasehold property by us on 15 October 2015, all of our bank borrowings have been fully repaid in November 2015 in order to reduce our interest expenses.

Certain bank borrowings during the Track Record Period were secured by our leasehold property, a joint guarantee by us and Mr. Chan, and/or Mr. Chan's personal guarantee. Following the full repayments of all bank borrowings in November 2015, all personal guarantee given by Mr. Chan has been released.

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All our bank borrowings are variable-rate borrowings which carry interest at prime rate of the relevant bank minus certain basis points. The ranges of effective interest rates (which are also equal to contracted interest rates) are as follows:

	As at 31 March 2014	As at 31 March 2015	As at 31 December 2015	As at 31 March 2016
Effective interest rates:				
Variable-rate borrowings	<u>2.20%–3.75%</u>	<u>2.20%–4.00%</u>	<u>—</u>	<u>—</u>

As at 31 December 2015 and 31 March 2016, we had no unutilised banking facilities.

### Obligation under a finance lease

Obligation under a finance lease relates to a motor vehicle under a finance lease arrangement. The lease term is three years. Interest rate underlying the obligation under the finance lease is fixed at contract date at 2% per annum. Details of the obligation under the finance lease are set out below:

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount payable under a finance lease:				
Within one year	353	88	343	88
In more than one year and not more than five years	<u>88</u>	<u>—</u>	<u>88</u>	<u>—</u>
	441	88	431	88
Less: Future finance charge	<u>(10)</u>	<u>—<sup>+</sup></u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligation	<u>431</u>	<u>88</u>	431	88
Less: Amount due for settlement within twelve months (shown under current liabilities)			<u>(343)</u>	<u>(88)</u>
Amount due for settlement after twelve months			<u>88</u>	<u>—</u>

<sup>+</sup> Less than HK\$1,000.

Our obligation under the finance lease is secured by the lessor's title to the motor vehicle.

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The finance lease obligation has been fully repaid in June 2015 in accordance with the lease term. As at 31 December 2015 and 31 March 2016, we did not have any finance lease obligations.

### Amount due to a Director and amounts due to related parties

Amount due to a Director (being Mr. Chan) and amounts due to related parties are non-trade in nature and are unsecured, interest-free and repayable on demand. Such amounts represent advances from Mr. Chan and the related parties to us for financing our daily operations.

All amounts due to Mr. Chan and related parties have been fully repaid in November 2015.

Further information regarding the amount due to a Director (being Mr. Chan) and the amounts due to related parties during the Track Record Period are set out in the paragraph headed “*Net current assets — Amounts due to/from related parties and due to a Director*” above in this section.

### Commitments

As at 31 March 2014, 31 March 2015, 31 December 2015 and 31 March 2016, the total future minimum lease payments payable by our Group (as lessee) under non-cancellable operating leases are as follows:

	As at 31 March		As at 31 December	As at 31 March
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Within one year	3,308	3,143	3,418	3,400
In the second to fifth years inclusive	1,915	1,550	3,596	3,004
	5,223	4,693	7,014	6,404

Operating lease payments represent rentals payable by our Group for our head office and various premises leased by us for use as our MediNet Centres and Dental Clinics. These leases are negotiated for lease terms ranging from one to three years with fixed monthly rentals. None of the lease include any contingent rentals.

### Contingent liabilities

As at 31 March 2014 and 2015, 31 December 2015 and 31 March 2016, our Group did not have any material contingent liabilities.

### Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

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### KEY FINANCIAL RATIOS

The following table sets out our Group's key financial ratios as at the dates and for the periods indicated:

	<b>FY2013/14</b> <b>or as at</b> <b>31 March</b> <b>2014</b>	<b>FY2014/15</b> <b>or as at</b> <b>31 March</b> <b>2015</b>	<b>Nine-month</b> <b>period ended</b> <b>or as at</b> <b>31 December</b> <b>2015</b>
Revenue growth	N/A	12.1%	11.4%
Net profit growth	N/A	90.3%	Net loss
Net profit margin before interest and tax	10.0%	15.8%	Net loss
Net profit margin	7.1%	12.1%	Net loss
Return on equity	11.6%	16.0%	Net loss
Return on total assets	4.7%	7.9%	Net loss
Current ratio	0.6	1.1	1.8
Quick ratio	0.6	1.1	1.8
Accounts receivables turnover days	39.5	40.0	37.7
Accounts payables turnover days	112.9	107.3	78.8
Gearing ratio	95.5%	59.3%	0.0%
Net debt to equity ratio	76.2%	43.4%	Net cash
Interest coverage	8.2 times	14.3 times	Net loss

#### Revenue growth

Please refer to the paragraph headed “*Period-to-period comparison of results of operations*” in this section for the reasons for the increase in our revenue.

#### Net profit growth

Please refer to the paragraph headed “*Period-to-period comparison of results of operations*” in this section for the reasons for the changes in our net profit.

#### Net profit margin before interest and tax

Net profit margin before interest and tax is calculated as profit before finance costs and income tax expense divided by revenue of the respective year/period.

Our net profit margin before interest and tax was approximately 10.0% for FY2013/14 and approximately 15.8% for FY2014/15, representing an increase of approximately 5.8 percentage points. Such increase was primarily due to an increase in our revenue coupled with a considerably smaller increase in our medical and dental professional services expenses as explained under the paragraph headed “*Period-to-period comparison of results of operations — FY2014/15 compared to FY2013/14 — Medical and dental professional services expenses*” above in this section.

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For the nine-month period ended 31 December 2015, we recorded a net loss before interest and tax of approximately HK\$1.8 million, as opposed to a net profit before interest and tax of approximately HK\$6.5 million for the nine-month period ended 31 December 2014. This was primarily due to the recognition of non-recurring Listing expenses of approximately HK\$9.2 million for the nine-month period ended 31 December 2015 (compared to nil for the corresponding period in 2014). If the Listing expenses of approximately HK\$9.2 million were excluded, our net profit before interest and tax for the nine-month period ended 31 December 2015 would have been approximately HK\$7.4 million (being higher than the approximately HK\$6.5 million for the nine-month period ended 31 December 2014) and our net profit margin before interest and tax would have been approximately 11.0% (being slightly higher than the approximately 10.8% for the nine-month period ended 31 December 2014). This was mainly due to (i) the increase in revenue of approximately HK\$6.9 million for the nine-month period ended 31 December 2015 as compared to the respective period in 2014 as a result of the increase in revenue generated from the provision of medical solutions to new Contract Customers; and partially offset by (ii) the recognition of other losses of approximately HK\$1.0 million for the nine-month period ended 31 December 2015 due to the decrease in the fair value of our held-for-trading listed equity securities (as opposed to other gains of approximately HK\$0.4 million for the nine-month period ended 31 December 2014) as a result of the general downturn of the financial markets during the nine-month period ended 31 December 2015; and (iii) the relatively moderate increase in medical and dental professional services expenses, staff cost and other expenses for the nine-month period ended 31 December 2015 as compared to the respective period in 2014.

### Net profit margin

Net profit margin is calculated as profit for the year/period divided by revenue of the respective year/period.

Our net profit margin was approximately 7.1% for FY2013/14 and approximately 12.1% for FY2014/15, representing an increase of approximately 5.0 percentage points. Such increase was primarily due to an increase in our revenue coupled with a considerably smaller increase in our medical and dental professional services expenses as explained under the paragraph headed “*Period-to-period comparison of results of operations — FY2014/15 compared to FY2013/14 — Medical and dental professional services expenses*” above in this section.

For the nine-month period ended 31 December 2015, we recorded a loss for the period of approximately HK\$4.0 million, as opposed to a profit for the nine-month period ended 31 December 2014 of approximately HK\$4.7 million. This was primarily due to the recognition of non-recurring Listing expenses of approximately HK\$9.2 million for the nine-month period ended 31 December 2015 (compared to nil for the corresponding period in 2014). If the Listing expenses of approximately HK\$9.2 million were excluded, our profit for the nine-month period ended 31 December 2015 would have been approximately HK\$5.2 million (being higher than the profit of approximately HK\$4.7 million for the nine-month period ended 31 December 2014) and our net profit margin would have been approximately 7.8% (being similar to the approximately 7.8% for the nine-month period ended 31 December 2014). This was mainly due to (i) the increase in revenue of approximately HK\$6.9 million for the nine-month period ended 31 December 2015 as compared to the respective period in 2014 as a result of the increase in revenue generated from the provision of medical solutions to new Contract Customers; and partially offset by (ii) the recognition of other losses of approximately HK\$1.0 million for the nine-month period ended 31 December 2015 due to the decrease in the fair value of our held-for-

## FINANCIAL INFORMATION

trading listed equity securities (as opposed to other gains of approximately HK\$0.4 million for the nine-month period ended 31 December 2014) as a result of the general downturn of the financial markets during the nine-month period ended 31 December 2015; and (iii) the relatively moderate increase in medical and dental professional services expenses, staff cost and other expenses for the nine-month period ended 31 December 2015 as compared to the respective period in 2014.

### **Return on equity**

Return on equity is calculated as profit for the year/period divided by the ending total equity as at the respective reporting date.

Our return on equity was approximately 11.6% for FY2013/14 and approximately 16.0% for FY2014/15, representing an increase of approximately 4.4 percentage points. Such increase was primarily due to an increase in our profit for FY2014/15 driven mainly by an increase in our revenue from the provision of dental solutions to Contract Customers and medical and dental services to Self-paid Patients, coupled with a considerably smaller increase in our medical and dental professional services expenses as discussed above.

If the Listing expenses of approximately HK\$9.2 million were excluded, our return on equity would have been approximately 25.1% for the nine-month period ended 31 December 2015, which was higher than the return on equity of approximately 16.0% for FY2014/15, primarily due to the lower base figure of the total equity as at 31 December 2015 as a result of the interim dividends declared in October 2015.

### **Return on total assets**

Return on assets is calculated as profit for the year/period divided by the ending total assets as at the respective reporting date.

Our return on total assets was approximately 4.7% for FY2013/14 and approximately 7.9% for FY2014/15, representing an increase of approximately 3.2 percentage points. Such increase was primarily due to an increase in our profit for FY2014/15 driven mainly by an increase in our revenue from the provision of dental solutions to Contract Customers and medical and dental services to Self-paid Patients, coupled with a considerably smaller increase in our medical and dental professional services expenses as discussed above.

If the Listing expenses of approximately HK\$9.2 million were excluded, our return on total assets would have been approximately 12.4% for the nine-month period ended 31 December 2015, which was higher than the return on total assets of approximately 7.9% for FY2014/15, primarily due to a lower base figure of the total assets as at 31 December 2015 as a result of the disposal of a leasehold property by the Group in October 2015. For further information regarding the property, please refer to the section “*Business — Properties — Owned property during the Track Record Period*” in this prospectus.

### **Current ratio**

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting date.

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Our current ratio was approximately 0.6 as at 31 March 2014, which was below 1 and which means that we were in a net current liabilities position as at 31 March 2014. We recorded net current liabilities of approximately HK\$19.5 million as at 31 March 2014. The net current liabilities position was primarily due to (i) the lock-up of a significant amount of our financial resources in the form of a leasehold property which was classified under our non-current asset; (ii) the current portion of the mortgage loan in connection with such property which was classified under our current liabilities; and (iii) the classification of a substantial amount due from a related party (being MediNet Holdings) of approximately HK\$13.0 million under our non-current asset (rather than current asset) as at 31 March 2014 because such amount due from MediNet Holdings represented a three-year unsecured and interest-free loan advanced by our Group to MediNet Holdings in November 2012 and was therefore non-current (i.e. not to be repaid within 12 months) as at 31 March 2014 (and such amount was subsequently re-classified under our current assets as at 31 March 2015 as such amount due from MediNet Holdings became repayable within 12 months as at those respective reporting dates and was fully repaid in November 2015).

As at 31 March 2015, we ceased to be in a net current liabilities position and we recorded net current assets of approximately HK\$5.5 million with our current ratio at approximately 1.1. This was primarily due to the combined effect of (i) increase in our current assets as a result of our profitable operations and cash inflows generated from our operating activities; and (ii) the re-classification of a substantial amount due from a related party (being MediNet Holdings) from non-current asset to current asset as discussed in the preceding paragraph.

As at 31 December 2015, our current ratio further increased to approximately 1.8 because (i) all bank borrowings were settled upon the disposal of the leasehold property by Well Being Dental, as mentioned above; and (ii) amounts due from related parties decreased and bank balances and cash increased as compared to that as at 31 March 2015 mainly as a result of the repayment from related parties during the nine-month period ended 31 December 2015.

### **Quick ratio**

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting date. As at 31 March 2014 and 2015 and 31 December 2015, we did not have any inventories and as such, our quick ratio is the same as our current ratio.

### **Accounts receivables turnover days**

Accounts receivables turnover days is calculated based on the average of the beginning and ending balance of accounts receivables (not including other receivables, prepayments and rental and utility deposits) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2013/14 and FY2014/15 and 275 days for the nine-month period ended 31 December 2015).

Please refer to the paragraph headed “*Net current assets — Accounts and other receivables*” above in this section for a discussion on our accounts receivables turnover days.

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### Accounts payables turnover days

Accounts payables turnover days is calculated based on the average of the beginning and ending balance of accounts payables (not including other payables, receipt in advance and accrued expenses) divided by the sum of medical and dental professional services expenses and cost of medical and dental supplies for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for FY2013/14 and FY2014/15 and 275 days for the nine-month period ended 31 December 2015).

Please refer to the paragraph headed “*Net current assets — Accounts and other payables*” above in this section for a discussion on our accounts payables turnover days.

### Gearing ratio

Gearing ratio is calculated as total debts divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 95.5% as at 31 March 2014 and approximately 59.3% as at 31 March 2015, representing a decrease of approximately 36.2 percentage points. Such decrease was primarily due to the combined effect of (i) a decrease in our total debts mainly caused by a decrease in the amount due to Mr. Chan and related parties; and (ii) an increase in our total equity mainly as a result of our profitable operations as well as an increase in the value of our leasehold property on revaluation. Our gearing ratio further decreased to 0.0% as at 31 December 2015, mainly due to the settlement of all bank borrowings, amounts due to Mr. Chan and related parties during the nine-month period ended 31 December 2015.

### Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. payables incurred not in the ordinary course of business net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

Our net debt to equity ratio was approximately 76.2% as at 31 March 2014 and approximately 43.4% as at 31 March 2015, representing a decrease of approximately 32.8 percentage points. Such decrease was primarily due to the combined effect of (i) a decrease in our total debts mainly caused by a decrease in the amount due to Mr. Chan and related parties; and (ii) an increase in our total equity mainly as a result of our profitable operations as well as an increase in the value of our leasehold property on revaluation. We recorded net cash position as at 31 December 2015 mainly due to the settlement of all bank borrowings, amounts due to Mr. Chan and related parties during the nine-month period ended 31 December 2015.

### Interest coverage

Interest coverage is calculated as profit before finance costs and income tax expense divided by finance costs of the respective reporting year/period.

Our interest coverage was approximately 8.2 times as at 31 March 2014 and approximately 14.3 times as at 31 March 2015. Such increase was primarily due to the increase in our net profit before interest and tax mainly as a result of an increase in our revenue coupled with a considerably smaller

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increase in our medical and dental professional services expenses as explained under the paragraph headed “*Period-to-period comparison of results of operations — FY2014/15 compared to FY2013/14 — Medical and dental professional services expenses*” above in this section.

We recorded a loss for the nine-month period ended 31 December 2015 primarily due to the recognition of non-recurring Listing expenses of approximately HK\$9.2 million for the period (compared to nil for the corresponding period in 2014). If the Listing expenses of approximately HK\$9.2 million were excluded, our interest coverage would have been approximately 13.8 times as at 31 December 2015, which was lower than the approximately 14.3 times as at 31 March 2015, primarily due to the recognition of other losses of approximately HK\$1.0 million for the nine-month period ended 31 December 2015 due to the decrease in the fair value of our held-for-trading listed equity securities (as opposed to other gains of approximately HK\$0.7 million for the ended 31 March 2015) as a result of the general downturn of the financial markets during the nine-month period ended 31 December 2015.

### RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 29 to the accountants’ report set out in Appendix I to this prospectus. During the Track Record Period, our related party transactions mainly include the following:

Name of related party	Nature	FY2013/14	FY2014/15	Nine-month period ended	
				31 December	
		<i>HK\$’000</i>	<i>HK\$’000</i>	2014	2015
				<i>HK\$’000</i>	<i>HK\$’000</i>
				(unaudited)	
Synergy Healthcare Limited	Other service income	<u>6</u>	<u>4</u>	<u>3</u>	<u>2</u>

The administrative income from Synergy Healthcare Limited was derived from the provision of certain administrative and other miscellaneous services by us to Synergy Healthcare Limited and was classified as our other service income under our other income in our combined statements of profit or loss and other comprehensive income. During the Track Record Period, Synergy Healthcare Limited was beneficially held by Mr. Chan. Mr. Chan subsequently disposed of his entire interest in Synergy Healthcare Limited in November 2015.

It is the view of our Directors that all party transactions were conducted in our ordinary and usual course of business and on normal commercial terms between Synergy Healthcare Limited and us or on terms no less favourable than terms available from independent third parties, and were fair and reasonable and in the interest of our Company and our Shareholders as a whole and would not distort our results during the Track Record Period.

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### FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

#### Capital risk management

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to our Shareholders through the optimisation of the debt and equity balance. Our overall strategy remains unchanged throughout the Track Record Period.

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

Our Directors review the capital structure on a regular basis. As part of this review, our Directors consider the cost and the risks associates with each class of the capital. Based on recommendations of our Directors, our Group will balance our 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.

#### Interest rate risk

We are exposed to cash flow interest rate risk related primarily to variable-rate bank deposits and bank borrowings due to the fluctuation of the prevailing market interest rate. We currently do not have a policy on hedging interest rate risk. However, our management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Our cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from our Hong Kong dollar denominated bank borrowings.

No sensitivity analysis on interest rate risk on bank deposits is presented as our Directors consider the sensitivity on interest rate risk on bank deposits is insignificant.

For sensitivity analysis on interest rates for variable-rate bank borrowings, the analysis is prepared assuming that the amount of liabilities outstanding at the end of the reporting period were outstanding for the whole year/period. 50 basis point increase or decrease represent our management's assessment of the reasonable possible change in interest rates of bank borrowings. If interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, our Group's post-tax profit for each of FY2013/14 and FY2014/15 would decrease/increase by approximately HK\$158,000 and approximately HK\$155,000 respectively. No sensitivity analysis on variable-rate bank borrowings is presented as at 31 December 2015 as we have no outstanding bank borrowings at the end of the reporting period.

#### Foreign currency risk

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

#### Credit risk

Our maximum exposure to credit risk which will cause a financial loss to our 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 combined statements of financial position of our Group.

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In order to minimise the credit risk, our Directors 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, our Directors 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, our Directors consider that our Group's credit risk is significantly reduced.

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

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

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and amounts due from related companies and a Director, our 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 our management, which has built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirements. Our 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 our 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 our Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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.

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### Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 6 months HK\$'000	6 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>At 31 March 2014</b>								
Accounts and other payables	—	13,790	—	—	—	—	13,790	13,790
Amount due to a director	—	6,420	—	—	—	—	6,420	6,420
Amounts due to related parties	—	969	—	—	—	—	969	969
Bank borrowings — variable-rate	2.57	18,418	779	1,559	4,676	15,981	41,413	37,816
Obligation under a finance lease	2.00	177	176	88	—	—	441	431
		<u>39,774</u>	<u>955</u>	<u>1,647</u>	<u>4,676</u>	<u>15,981</u>	<u>63,033</u>	<u>59,426</u>
<b>At 31 March 2015</b>								
Accounts and other payables	—	11,494	—	—	—	—	11,494	11,494
Amount due to a director	—	1,496	—	—	—	—	1,496	1,496
Amount due to a related party	—	522	—	—	—	—	522	522
Bank borrowings — variable-rate	2.60	18,766	779	1,559	4,676	14,423	40,203	37,038
Obligation under a finance lease	2.00	88	—	—	—	—	88	88
		<u>32,366</u>	<u>779</u>	<u>1,559</u>	<u>4,676</u>	<u>14,423</u>	<u>53,803</u>	<u>50,638</u>
<b>At 31 December 2015</b>								
Accounts and other payables	—	9,890	—	—	—	—	9,890	9,890
		<u>9,890</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,890</u>	<u>9,890</u>

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

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The bank borrowings with a repayment on demand clause are also included in the “on demand or less than 6 months” time band in the above maturity analysis. As at 31 March 2014 and 31 March 2015, the aggregate carrying amounts of these bank loans amounted to HK\$17,639,000 and HK\$17,987,000 respectively. Taking into account our Group’s financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that such bank borrowings will be repaid five years after the end of the reporting period in accordance with the scheduled repayment dates set out in bank borrowings agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$18,333,000 and HK\$18,480,000 at 31 March 2014 and 31 March 2015 respectively:

	On demand or less than 6 months <i>HK\$'000</i>	6 months to 1 year <i>HK\$'000</i>	1–2 years <i>HK\$'000</i>	2–5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amounts <i>HK\$'000</i>
At 31 March 2014	<u>10,897</u>	<u>829</u>	<u>1,657</u>	<u>4,863</u>	<u>87</u>	<u>18,333</u>	<u>17,639</u>
At 31 March 2015	<u>11,781</u>	<u>1,750</u>	<u>1,657</u>	<u>3,292</u>	<u>—</u>	<u>18,480</u>	<u>17,987</u>

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rules 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Placing on the audited consolidated net tangible assets of our Group as if the Placing had taken place on 31 December 2015.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 31 December 2015 or at any future dates following the Placing and Capitalisation Issue. It is prepared based on the audited combined net tangible assets of our Group as at 31 December 2015 or at any future dates following the Placing.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared based on the audited combined net assets of our Group as at 31 December 2015 as shown in the Accountants’ Report set out in Appendix I to this prospectus and adjusted as described below.

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	<b>Audited combined net tangible assets of our Group as of 31 December 2015</b>	<b>Estimated net proceeds from the Placing</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group per Share</b>
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Placing Price of HK\$0.25 per Placing Share	20,874	51,968	72,842	0.07
Based on the Placing Price of HK\$0.27 per Placing Share	20,874	56,908	77,782	0.07

*Notes:*

1. The audited combined net tangible assets of our Group as at 31 December 2015 is based on the combined net assets of our Group amounted to HK\$20,874,000, extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on 260,000,000 Placing Shares to be issued at a minimum Placing Price of HK\$0.25 or a maximum Placing Price of HK\$0.27 per Placing Share, respectively, after deduction of the estimated underwriting fees and other related expenses (excluding approximately HK\$9,505,000 of listing expenses accounted for prior to 31 December 2015). It does not take into account any shares which may be allotted and issued or repurchase shares referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "*Share capital*" in this prospectus, as the case may be.
3. The unaudited pro forma adjusted combined net tangible assets of our Group is calculated based on 1,040,000,000 Shares in issue immediately following the completion of the Placing and Capitalisation Issue. It does not take into account any shares which may be allotted and issued or repurchase shares referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "*Share capital*" in this prospectus, as the case may be.

It should be noted that no adjustments have been made to the unaudited pro forma financial information to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2015.

### LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$22.7 million, of which approximately HK\$7.7 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$15.0 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$15.0 million that shall be charged to profit or loss, nil, approximately HK\$0.3 million and approximately HK\$9.2 million have been charged for each of FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 respectively, and approximately HK\$1.2 million and approximately HK\$4.3 million are expected to be incurred for the

## **FINANCIAL INFORMATION**

remaining three months of FY2015/16 and for the year ending 31 March 2017, respectively. Listing expenses are non-recurring in nature. Our Directors expect that our Group's financial performance for FY2015/16 will be materially and adversely affected by the expenses in relation to the Listing.

### **DIVIDEND**

We have not declared any dividends for FY2013/14 and FY2014/15.

For the nine-month period ended 31 December 2015, we declared interim dividends in the aggregate amount of HK\$51 million to our then Shareholders in October 2015. Such dividends had been fully paid in November 2015 and we financed the payment of such dividends by setting off an equivalent amount due from Mr. Chan and related companies controlled by Mr. Chan.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 20 August 2015. As at 31 December 2015, our Company had no distributable reserves available for distribution to our Shareholders.

### **DISCLOSURES REQUIRED UNDER THE GEM LISTING RULES**

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had they been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, save for the expenses in connection with the Listing, which are non-recurring in nature, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2015, and there have been no events since 31 December 2015 which would materially affect the information shown in our combined financial information included in the accountants' report set forth in Appendix I to this prospectus.

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### LOSS ESTIMATE FOR THE YEAR ENDED 31 MARCH 2016

Estimated consolidated loss attributable to the owners  
of the Company (*Note 1*)..... not more than HK\$2.5 million

Unaudited pro forma estimated loss per Share (*Note 2*)..... not more than HK0.24 cents

*Notes:*

1. The estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016, which has taken into account of the expected Listing expenses to be incurred during the year ended 31 March 2016 of approximately HK\$10.4 million, is extracted from Appendix III to this prospectus. The bases on which the above loss estimate for the year ended 31 March 2016 has been prepared are summarised in Appendix III to this prospectus. Had the effect of such expected Listing expenses not been taken into account, the estimated consolidated profit attributable to the owners of the Company for the year ended 31 March 2016 would have been approximately HK\$8.0 million.
2. The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016 and on the assumptions that a total of 1,040,000,000 shares were in issue during the year ended 31 March 2016 assuming that the Placing and Capitalisation Issue had been completed on 1 April 2015, without taking into account any shares which may be allotted and issued or repurchase shares referred to in the paragraph headed “*General mandate to issue shares*” or “*General mandate to repurchase shares*” under the section headed “*Share Capital*” in this prospectus, as the case may be. The estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016 has not taken into account any interest income that would have been earned if the proceeds from the Placing had been received by the Company on 1 April 2015.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section “*Business — Business strategies*” in this prospectus for our Group’s business objectives and strategies.

### IMPLEMENTATION PLAN

Our Group’s implementation plans are set forth below for each of the six-month periods until 31 March 2019. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the sub-section headed “*Bases and assumptions*” below. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section “*Risk factors*” in this prospectus. Our Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Based on our Group’s business objective, our Directors intend to carry out the following implementation plans:

#### From the Latest Practicable Date to 30 September 2016

Business strategy	Use of proceeds	Implementation plan
Expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui	HK\$4,160,000	<ul style="list-style-type: none"> <li>● Confirm the lease of the new premises and carry out renovation works in relation to the relocation of our MediNet Centre and Dental Clinic in Central</li> <li>● Identify and recruit additional professional and supporting staff and purchase additional dental equipment for the operation of our MediNet Centre and Dental Clinic in the new premises in Central</li> <li>● Commencement of business of our relocated MediNet Centre and Dental Clinic in Central</li> </ul>
Purchase a property for operation of Dental Clinic in Causeway Bay	Nil	<ul style="list-style-type: none"> <li>● Identify suitable and strategic location for the purchase of property for the relocation of our Dental Clinic in Causeway Bay</li> </ul>
Expand our MediNet Network	HK\$50,000	<ul style="list-style-type: none"> <li>● Identify, evaluate and invite suitable medical and dental clinics and auxiliary services providers to join our MediNet Network</li> <li>● Expand the scope of services offered by Affiliated Auxiliary Services Providers</li> <li>● Increase the aggregate number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network</li> <li>● Produce and distribute updated MediNet Network directory pamphlets to our Contract Customers</li> </ul>

## FUTURE PLANS AND USE OF PROCEEDS

**From 1 October 2016 to 31 March 2017**

Business strategy	Use of proceeds	Implementation plan
Expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui	HK\$978,000	<ul style="list-style-type: none"> <li>● Identify suitable and strategic location for leasing larger premises for the relocation and expansion of our Dental Clinic in Tsim Sha Tsui</li> <li>● Commence renovation work in the new premises in Tsim Sha Tsui after confirming the lease</li> </ul>
Purchase a property for operation of Dental Clinic in Causeway Bay	Nil	<ul style="list-style-type: none"> <li>● Identify suitable and strategic location for the purchase of property for the relocation of our Dental Clinic in Causeway Bay</li> </ul>
Expand our MediNet Network	HK\$50,000	<ul style="list-style-type: none"> <li>● Identify, evaluate and invite suitable medical and dental clinics and auxiliary services providers to join our MediNet Network</li> <li>● Increase the aggregate number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network</li> <li>● Produce and distribute updated MediNet Network directory pamphlets to our Contract Customers</li> </ul>

## FUTURE PLANS AND USE OF PROCEEDS

**From 1 April 2017 to 30 September 2017**

Business strategy	Use of proceeds	Implementation plan
Expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui	HK\$3,557,000	<ul style="list-style-type: none"> <li>● Complete renovation works of the new premises in relation to the relocation of our Dental Clinic in Tsim Sha Tsui</li> <li>● Identify and recruit additional professional and supporting staff and purchase additional dental equipment for the operation of our Dental Clinic in the new premises in Tsim Sha Tsui</li> <li>● Commencement of business of our relocated Dental Clinic in Tsim Sha Tsui</li> </ul>
Purchase a property for operation of Dental Clinic in Causeway Bay	HK\$33,201,000	<ul style="list-style-type: none"> <li>● Complete the purchase of property (expected to be fully financed by the proceeds from the Placing) and carry out renovation works in respect of the new premises in relation to the relocation of our Dental Clinic in Causeway Bay</li> </ul>
Expand our MediNet Network	HK\$50,000	<ul style="list-style-type: none"> <li>● Identify, evaluate and invite suitable medical and dental clinics and auxiliary services providers to join our MediNet Network</li> <li>● Increase the aggregate number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network</li> <li>● Produce and distribute updated MediNet Network directory pamphlets to our Contract Customers</li> </ul>

## FUTURE PLANS AND USE OF PROCEEDS

### From 1 October 2017 to 31 March 2018

Business strategy	Use of proceeds	Implementation plan
Expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui	HK\$1,428,000	<ul style="list-style-type: none"> <li>● Continue to monitor and ensure smooth operation of our relocated MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui</li> </ul>
Purchase a property for operation of Dental Clinic in Causeway Bay	HK\$1,000,000	<ul style="list-style-type: none"> <li>● Complete renovation works of the new premises in relation to the relocation of our Dental Clinic in Causeway Bay</li> <li>● Commencement of business of our relocated Dental Clinic in Causeway Bay</li> </ul>
Expand our MediNet Network	HK\$50,000	<ul style="list-style-type: none"> <li>● Identify, evaluate and invite suitable medical and dental clinics and auxiliary services providers to join our MediNet Network</li> <li>● Increase the aggregate number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network</li> <li>● Produce and distribute updated MediNet Network directory pamphlets to our Contract Customers</li> </ul>

### From 1 April 2018 to 30 September 2018

Business strategy	Use of proceeds	Implementation plan
Expand our MediNet Network	HK\$50,000	<ul style="list-style-type: none"> <li>● Identify, evaluate and invite suitable medical and dental clinics and auxiliary services providers to join our MediNet Network</li> <li>● Increase the aggregate number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network</li> <li>● Produce and distribute updated MediNet Network directory pamphlets to our Contract Customers</li> </ul>

## FUTURE PLANS AND USE OF PROCEEDS

**From 1 October 2018 to 31 March 2019**

Business strategy	Use of proceeds	Implementation plan
Expand our MediNet Network	HK\$50,000	<ul style="list-style-type: none"> <li>● Identify, evaluate and invite suitable medical and dental clinics and auxiliary services providers to join our MediNet Network</li> <li>● Increase the aggregate number of Affiliated Clinics and Affiliated Auxiliary Services Providers under our MediNet Network</li> <li>● Produce and distribute updated MediNet Network directory pamphlets to our Contract Customers</li> </ul>

### **Expanding the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui and purchasing a property for operation of Dental Clinic in Causeway Bay**

We intend to apply approximately HK\$44.3 million (or approximately 98.6%) of the net proceeds from the Placing (based on the Placing Price of HK\$0.26 per Share, being the mid-point of the stated range of the Placing Price) for the following two business strategies:

- (i) In order to better serve our Contract Customers, Plan Members and Self-paid Patients and to capitalise on the potential business opportunities arising from the continued demand for medical and dental services in Hong Kong, our Directors currently intend to lease suitable and larger premises in Central and Tsim Sha Tsui for relocating our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui respectively. In addition, in order to cope with such planned investment for the expansion of our operation of MediNet Centre and Dental Clinic in Central and Dental Clinic in Tsim Sha Tsui and also to continuously enhance our quality services to our customers, we intend to identify and recruit additional qualified and skilled personnel to join our team of professional MediNet Doctors, Dentists, Dental Hygienists and other medical and dental professional staff. An aggregate of approximately HK\$10.1 million (or approximately 22.5%) of the net proceeds from the Placing is intended to be used in relation to such purposes.
- (ii) We intend to purchase a property in Causeway Bay for relocating our current Dental Clinic in Causeway Bay because this could, in the opinion of our Directors: (i) mitigate the risk of possible substantial increases in rental expenses in Causeway Bay which is a popular shopping and commercial district in Hong Kong and is, in the opinion of our Directors, susceptible to substantial increases in rental expenses; (ii) mitigate the risk of early termination or non-renewal of our lease by the relevant landlord; (iii) have a potential positive effect on customers' confidence in us; and (iv) ensure the continuity of the operation of our Dental Clinic in the district of Causeway Bay which is, in the opinion of our Directors, strategic to the future development of our business of provision of dental solutions to Contract Customers and dental services to Self-paid Patients. An aggregate of approximately HK\$34.2 million (or approximately 76.1%) of the net proceeds from the Placing is intended to be used in relation to such purpose.

## FUTURE PLANS AND USE OF PROCEEDS

Our Directors consider that implementing the above two strategies will potentially lead to the following changes which could positively affect our profit margin:

- (a) a potential increase in our revenue as the aforesaid business strategies are expected to increase our services quality and capacity to both Plan Members and Self-paid Patients and will have a potential positive effect on our attractiveness to Plan Members and Self-paid Patients and on customers' (i.e. both Contract Customers' and Self-paid Patients') confidence in us, thereby leading to a potential increase in revenue derived from both Contract Customers and Self-paid Patients; and
- (b) a decrease in rental expenses in relation to our Dental Clinic in Causeway Bay as we will cease to incur rental expenses for our Causeway Bay Dental Clinic after the planned purchase of a property in Causeway Bay and the relocation to such property;

while our Directors also expect that implementing the above two strategies will potentially lead to the following changes which could negatively affect our profit margin:

- (c) an increase in rental expenses in relation to the lease of larger premises for our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui;
- (d) an increase in staff cost in relation to the additional professional personnel expected to be required for the expanded operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui;
- (e) an increase in depreciation on professional dental equipment expected to be required and to be purchased for the expanded operation of our Dental Clinic in Central and in Tsim Sha Tsui;
- (f) an increase in cost of medical and dental supplies and other relevant expenses such as utilities, rates and management fees, etc. in relation to the expanded operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui; and
- (g) an increase in depreciation on leasehold property as a result of the purchase of property in Causeway Bay.

The overall effect on our profit margin as a result of the aforesaid two strategies will depend on the existence and/or the magnitude of factors (a) to (g) mentioned above. In particular, the overall effect on our profit margin is highly dependent on factor (a), i.e., whether or not there will be an increase in revenue and if so, the magnitude of such increase. If the implementation of the above two strategies is successful, our Directors believe that the potential increase in revenue will be sufficiently large such that our overall profit margin will either be maintained or improved, resulting in a higher absolute amount of our profits. However, if the implementation of the above two strategies fails to lead to a sufficient increase in our revenue, our overall profit margin will likely be negatively affected as a result of the combined effect of factors (b) to (g), resulting in a potential material adverse impact on our business operation and financial performance.

## FUTURE PLANS AND USE OF PROCEEDS

### BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed "*Risk factors*" in this prospectus.

### REASONS FOR THE LISTING

Our Directors believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies. As stated in the section headed "*Business — Business strategies*" in this prospectus, we plan to (i) expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui; (ii) purchase a property for our operation of Dental Clinic in Causeway Bay; and (iii) expand our MediNet Network. The net proceeds of the Placing will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position as an established service provider in the medical and dental industry in Hong Kong and expand our market share. A public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. We believe that a public listing status on GEM could attract potential customers, affiliated doctors, affiliated auxiliary services providers and other suppliers and strengthen our competitiveness in the market. The Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in future business development of our Group. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

## FUTURE PLANS AND USE OF PROCEEDS

### USE OF PROCEEDS

The net proceeds to be received by us from the Placing based on the Placing Price of HK\$0.26 per Share (being the mid-point of the stated range of the Placing Price), after deducting related expenses to be borne by us, are estimated to be approximately HK\$44.9 million. Our Directors presently intend that the net proceeds will be applied as follows:

- approximately HK\$10.1 million (approximately 22.5% of the net proceeds), HK\$34.2 million (approximately 76.1% of the net proceeds) and HK\$0.3 million (approximately 0.7% of the net proceeds) will be used for expanding the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui, purchasing a property for our operation of Dental Clinic in Causeway Bay and expanding our MediNet Network, respectively, with the intended timing of the deployment of the proceeds as follows:

	From Latest Practicable Date to 30 September 2016 HK\$'000	From 1 October 2016 to 31 March 2017 HK\$'000	From 1 April 2017 to 30 September 2017 HK\$'000	From 1 October 2017 to 31 March 2018 HK\$'000	From 1 April 2018 to 30 September 2018 HK\$'000	From 1 October 2018 to 31 March 2019 HK\$'000	Total HK\$'000
Expand the operation of our MediNet Centre and Dental Clinic in Central and our Dental Clinic in Tsim Sha Tsui	4,160	978	3,557	1,428	—	—	10,123
Purchase a property for our operation of Dental Clinic in Causeway Bay	—	—	33,201	1,000	—	—	34,201
Expand our MediNet Network	50	50	50	50	50	50	300

- approximately HK\$0.3 million (approximately 0.7% of the net proceeds) will be used as our general working capital.

Our Directors consider that the net proceeds to be received by us from the Placing of about HK\$44.9 million, together with our Group's internal resources and cash generated from our operation, will be sufficient to finance the business plans of our Group as scheduled up to 31 March 2019. In relation to the purchase of the property for the operation of Dental Clinic in Causeway Bay as mentioned above, our Directors do not intend to rely on mortgage financing for such property and no mortgage interest is expected to be incurred.

In the event that the Placing Price is set at the high-end and the low-end of the proposed Placing Price range, we will receive net proceeds of approximately HK\$47.4 million and HK\$42.4 million, after deducting related expenses, respectively. If the Placing Price is set at the high-end or low-end of the proposed Placing Price, save for the purchase a property for our operation of Dental Clinic in Causeway Bay remaining as approximately HK\$34.2 million we intend to adjust the allocation of the net proceeds to the usage in the proportions stated above.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

## **FUTURE PLANS AND USE OF PROCEEDS**

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules.

# UNDERWRITING

## UNDERWRITER

Gransing Securities Co., Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with institutional, professional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriter has agreed to subscribe for or purchase or procure subscribers or buyers for the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

### Grounds for termination

The Lead Manager shall have the absolute discretion to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (a) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction; or
- (b) any adverse change (whether or not permanent) in local, national or international stock market conditions; or
- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (d) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction; or
- (e) any adverse change in the business or in the financial or trading position of our Group or otherwise; or
- (f) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction; or
- (g) a general moratorium on commercial banking business activities in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction; or

## UNDERWRITING

- (h) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the reasonable opinion of the Lead Manager:

- (a) is likely to be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
- (b) is likely to have a material adverse effect on the success of the Placing or is likely to have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (c) makes it inadvisable or inexpedient to proceed with the Placing.

Without prejudice to the above, if, at any time prior to 5:00 p.m. (Hong Kong time) on the Business Day immediately preceding the Listing Date, it comes to the notice of the Lead Manager:

- (a) any breach of any of the warranties or any other provision of the Underwriting Agreement which is considered, in the reasonable opinion of the Lead Manager, to be material in the context of the Placing; or
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus and the placing letter, would have constituted a material omission in the reasonable opinion of the Lead Manager in the context of the Placing; or
- (c) any statement contained in this prospectus and the placing letter reasonably considered to be material by the Lead Manager which is discovered to be or becomes untrue, incorrect or misleading and in the reasonable opinion of the Lead Manager to be material in the context of the Placing; or
- (d) any event, act or omission which in the reasonable opinion of the Lead Manager gives rise or is likely to give rise to any material liability of any of our Company and our Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement,

the Lead Manager shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Underwriting Agreement.

## UNDERWRITING

### Undertakings

Our Company has undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six (6) months from the Listing Date (whether or not such issue of shares or securities will be completed within six (6) months from the Listing Date), except for those permitted in accordance with rule 17.29 subsections (1) to (5) of GEM Listing Rules.

Under the Underwriting Agreement,

- (a) (i) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Lead Manager, the Underwriter and the Stock Exchange that, save as (i) pursuant to the Placing; or (ii) permitted under the GEM Listing Rules and with the prior written consent of the Lead Manager (for itself and on behalf of the Underwriter), he/it shall not and shall procure that the relevant registered holders shall not:
  - (A) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First 6-Month Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect (the “**Encumbrances**”) in respect of any of the Shares which he/it is shown in this prospectus to be the beneficial owner(s); and
  - (B) in the period of six months commencing on the date immediately following the date on which the First 6-Month Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder,

provided that the restrictions in this paragraph (i) shall not apply to any Shares which our Controlling Shareholders or any of his/its respective close associates may acquire or become interested in following the Listing Date;

- (ii) each of our Controlling Shareholders further undertakes to and covenants with our Company, the Sponsor, the Lead Manager, the Underwriter and the Stock Exchange that:
  - (A) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (i)

## UNDERWRITING

above, he/it must inform our Company, the Sponsor, the Lead Manager and the Underwriter immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

- (B) having pledged or charged any of his/its interests in the Shares under subparagraph (A) above, he/it must inform our Company, the Lead Manager and the Underwriter immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected; and
- (b) our Company undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriter, and each of our executive Directors and Controlling Shareholders jointly and severally undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriter to procure that, save with the prior written consent of the Lead Manager, or save pursuant to the Capitalisation Issue and the Placing, our Company shall not, within the period of the First 6-Month Period:
  - (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed));
  - (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
  - (iii) purchase any securities of our Company; or
  - (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

NSD Capital has undertaken to and covenanted with our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter and the Stock Exchange that it shall not in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect in respect of any of the Shares which it is shown in this prospectus to be the beneficial owner(s).

NSD Capital has further undertaken and covenanted with our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter and the Stock Exchange that:

- (A) in the event that it pledges or charges any of its interest in the Shares under Rule 13.18(1) of the GEM Listing Rules at any time during the relevant period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, it must inform our Company, the Sponsor, the Bookrunner, the Lead Manager and the Underwriter immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

## UNDERWRITING

(B) having pledged or charged any of its interests in the Shares under sub-paragraph (A) above, it must inform our Company, the Bookrunner, the Lead Manager and the Underwriter immediately in the event that it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected.

### **Commission and expenses**

In connection with the Placing, the Underwriter will receive an underwriting commission of 5.0% of the aggregate Placing Price of all the Placing Shares, out of which they will, as the case may be, pay any sub-underwriting commissions and selling concessions.

In connection with the Listing, the Sponsor will receive a sponsor fee (including documentation and advisory fees).

In connection with the Listing and the Placing, the total expenses are estimated to be approximately HK\$22.7 million (based on the mid-point of the stated range of the Placing Price of HK\$0.26 and including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsor fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Placing), which will be borne by our Company.

Our Company, the Controlling Shareholders and the executive Directors have agreed to indemnify the Bookrunner, the Lead Manager and the Underwriter for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any material breach of any of the representations, warranties and undertakings of the Company or any of the Controlling Shareholders and the executive Directors of the Underwriting Agreement.

### **Independence of the Sponsor**

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### **Sponsor's, Bookrunner's, Lead Manager's and Underwriter's interests in our Company**

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Save for their interests and obligations under the Underwriting Agreement, the sponsor fee payable to the Sponsor in connection with the Listing, and the fee payable to the Sponsor for its acting as our compliance adviser, none of the Sponsor, the Bookrunner, the Lead Manager and the Underwriter is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

## STRUCTURE AND CONDITIONS OF THE PLACING

### PLACING PRICE

The Placing Price, being not more than HK\$0.27 per Placing Share and expected to be not less than HK\$0.25 per Placing Share, plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy make up total price payable on subscription. The Shares will be traded in board lots of 10,000 Shares each.

### DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be fixed by the Price Determination Agreement to be entered into between the Lead Manager (also in its capacity as the Underwriter) and our Company on or before the Price Determination Date, which is currently scheduled on Wednesday, 25 May 2016, or such later date as the Lead Manager (also in its capacity as the Underwriter) and our Company may agree.

**If, for any reason, the Lead Manager (also in its capacity as the Underwriter) and our Company are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Lead Manager (also in its capacity as the Underwriter), the Placing will not become unconditional and will lapse.**

**Prospective investors should be aware that the Placing Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Placing Price range as stated in this prospectus.** The Placing Price will not be more than HK\$0.27 per Placing Share and is expected to be not less than HK\$0.25 per Placing Share, unless otherwise announced.

Our Company expects to announce the final Placing Price, the level of indication of interests and the basis of allocation in the Placing on Monday, 30 May 2016 on our Company's website at [www.MediNetGroup.com](http://www.MediNetGroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). **If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange a notice of the change and if applicable the revised date.**

### THE PLACING

#### Placing

The Placing of 260,000,000 Placing Shares are conditionally offered by our Company, by way of private placements to professional, institutional and/or other investors. The Placing Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Placing. The Placing is fully underwritten by the Underwriter.

Pursuant to the Placing, it is expected that the Underwriter or selling agents nominated by it, on behalf of our Company, will conditionally place the Placing Shares at the Placing Price (plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy) with selected professional, institutional and/or other investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities. Private investors applying for the Placing Shares through banks or other institutions under the Placing may also be allocated the Placing Shares.

## STRUCTURE AND CONDITIONS OF THE PLACING

### **Basis of Allocation**

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional, and institutional shareholder base for the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public shareholder. No allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. There will not be any preferential treatment in the allocation of the Placing Shares to any persons. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

The Placing is subject to the conditions as stated in the paragraph “Conditions of the Placing” below in this section.

### **CONDITIONS OF THE PLACING**

Acceptance of your applications is conditional upon, among other things:

**(a) Listing**

The GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any Shares which may fall to be issued pursuant to the Placing and the Capitalisation Issue;

**(b) Price Determination Agreement**

The Price Determination Agreement having been executed by our Company and the Lead Manager (also in its capacity as the Underwriter) and becoming effective on the Price Determination Date; and

**(c) Underwriting Agreement**

The obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sponsor and the Lead Manager, also in its capacity as the Underwriter) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. (Hong Kong time) on the Listing Date). Details of the Underwriting Agreement, their conditions and grounds for termination, are set out in the section headed “*Underwriting*” in this prospectus.

In each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

## **STRUCTURE AND CONDITIONS OF THE PLACING**

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Listing Division will be notified immediately. Notice of the lapse of the Placing will be published by our Company at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.MediNetGroup.com](http://www.MediNetGroup.com) on the next Business Day following such lapse.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the GEM are expected to commence at 9:00 a.m. on Tuesday, 31 May 2016. Shares will be traded in board lots of 10,000 Shares each.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

Our Company expects to announce the final Placing Price, the level of indication of interests and the basis of allocation in the Placing on Monday, 30 May 2016 on our Company's website at [www.MediNetGroup.com](http://www.MediNetGroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).



德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

24 May 2016

The Directors  
MediNet Group Limited

Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to MediNet Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the years ended 31 March 2014, 31 March 2015 and the nine-month period ended 31 December 2015 (the “Track Record Period”) (the “Financial Information”) for inclusion in the prospectus of the Company (the “Prospectus”) in connection with the proposed listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 August 2015. Pursuant to a group reorganisation as more fully explained in the section headed “History and development — Reorganisation” in the Prospectus (the “Reorganisation”), the Company has since 11 November 2015 become the holding company of the Group. Other than the transactions relating to the Reorganisation, the Company has not carried on any business since the date of its incorporation.

The Company has the following subsidiaries at the end of each reporting period and at the date of this report:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Company			Principal activities
			At 31 March 2014	December 2015	At date of this report	
<b>Directly held</b>						
Medinet (BVI) Limited (“Medinet (BVI)”)	British Virgin Islands (“BVI”) 12 August 2015	US\$1,000 Ordinary shares	—	—	100%	100% Investment holding
<b>Indirectly held</b>						
Well Being Dental Services Limited (“Well Being”)	Hong Kong 22 December 1994	HK\$10,000,000 Ordinary shares	100%	100%	100%	100% Provision of dental solutions and dental services
Medinet Services Limited (“Medinet Services”)	Hong Kong 29 March 1994	HK\$10,000,000 Ordinary shares	100%	100%	100%	100% Provision of medical solutions services
Medinet Health Centre Limited (“Medinet Health Centre”)	Hong Kong 9 December 1998	HK\$500,000 Ordinary shares	100%	100%	100%	100% Provision of medical consultation service

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Company			At date of this report	Principal activities
			At 31 March 2014	December 2015	At 31		
			2015	2015	March 2015		
Men's Health Solutions Limited ("Men's Health Solutions")	Hong Kong 20 October 2003	HK\$10,000 Ordinary shares	100%	100%	100%	100%	Provision of medical consultation service

All companies comprising the Group has adopted 31 March as their financial year-end date.

No audited financial statements have been prepared for the Company and its subsidiary incorporated in BVI since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

The statutory financial statements of Well Being, Medinet Services, Medinet Health Centre and Men's Health Solutions (collectively referred as the "Hong Kong Subsidiaries") for the years ended 31 March 2014 and 31 March 2015 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The statutory financial statements of the Hong Kong Subsidiaries for the year ended 31 March 2014 were audited by Pentagon CPA Limited and the statutory financial statements of the Hong Kong Subsidiaries for the year ended 31 March 2015 were audited by us.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with accounting policies that conform with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section E below. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2015 and of the Group as at 31 March 2014, 31 March 2015 and 31 December 2015 and of the financial performance and cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the nine-month period ended 31 December 2014 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "December 2014 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the December 2014 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the December 2014 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the December 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the December 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## (A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March		Nine-month period ended 31 December	
		2014	2015	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	8	77,520	86,933	60,437	67,333
Other income	9	1,582	2,234	1,791	1,882
Other gains and losses	10	739	717	356	(956)
Medical and dental professional services expenses	12	(37,318)	(37,960)	(27,181)	(31,819)
Staff costs	12	(17,937)	(19,637)	(15,012)	(15,520)
Depreciation of property, plant and equipment		(3,654)	(3,656)	(2,630)	(1,906)
Cost of medical and dental supplies		(2,490)	(3,320)	(2,729)	(2,716)
Rental expenses		(4,232)	(4,323)	(3,299)	(3,094)
Other expenses		(6,471)	(6,994)	(5,208)	(5,812)
Finance costs	11	(939)	(958)	(730)	(534)
Listing expenses		—	(300)	—	(9,205)
Profit (loss) before taxation	12	6,800	12,736	5,795	(2,347)
Income tax expense	13	(1,258)	(2,187)	(1,078)	(1,629)
Profit (loss) for the year/period		<u>5,542</u>	<u>10,549</u>	<u>4,717</u>	<u>(3,976)</u>
Other comprehensive income					
<i>Items that will not be subsequently reclassified to profit or loss:</i>					
Surplus on revaluation of a land and building		2,966	9,031	2,023	1,652
Deferred tax arising from revaluation of a land and building		(350)	(1,340)	(333)	—
Other comprehensive income for the year/period		<u>2,616</u>	<u>7,691</u>	<u>1,690</u>	<u>1,652</u>
Total comprehensive income (expense) for the year/period		<u>8,158</u>	<u>18,240</u>	<u>6,407</u>	<u>(2,324)</u>
Earnings (loss) per share — Basic (Hong Kong cents)	16	<u>0.71</u>	<u>1.35</u>	<u>0.60</u>	<u>(0.51)</u>

## (B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at 31 December
		2014	2015	2015
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	17	78,905	85,515	2,111
Rental deposits	19	984	883	999
Amount due from a related party	20	12,986	—	—
Deferred tax assets	25	227	31	127
		<u>93,102</u>	<u>86,429</u>	<u>3,237</u>
Current assets				
Held-for-trading investments	18	659	4,583	3,758
Accounts and other receivables	19	14,166	12,143	14,818
Amounts due from related parties	20	1,803	19,394	92
Amount due from a director	20	—	—	185
Bank balances and cash	21	9,215	10,525	20,140
		<u>25,843</u>	<u>46,645</u>	<u>38,993</u>
Current liabilities				
Accounts and other payables	22	18,046	18,972	18,862
Amount due to a director	20	6,420	1,496	—
Amounts due to related parties	20	969	522	—
Bank borrowings	23	18,764	19,136	—
Obligation under a finance lease	24	343	88	—
Taxation payable		826	911	2,474
		<u>45,368</u>	<u>41,125</u>	<u>21,336</u>
Net current (liabilities) assets		<u>(19,525)</u>	<u>5,520</u>	<u>17,657</u>
Total assets less current liabilities		<u>73,577</u>	<u>91,949</u>	<u>20,894</u>
Non-current liabilities				
Bank borrowings	23	19,052	17,902	—
Deferred tax liabilities	25	6,662	8,032	20
Obligation under a finance lease	24	88	—	—
		<u>25,802</u>	<u>25,934</u>	<u>20</u>
Net assets		<u>47,775</u>	<u>66,015</u>	<u>20,874</u>

		As at 31 March		As at 31 December
		2014	2015	2015
	Note	HK\$'000	HK\$'000	HK\$'000
Capital and reserves				
Share capital	26	20,510	20,510	— <sup>+</sup>
Reserves		<u>27,265</u>	<u>45,505</u>	<u>20,874</u>
Total equity		<u>47,775</u>	<u>66,015</u>	<u>20,874</u>

+ Less than HK\$1,000.

#### STATEMENT OF FINANCIAL POSITION

			As at 31 December 2015
	Notes		HK\$'000
Non current asset			
Investments in subsidiaries			<u>73,212</u>
Current assets			
Amount due from a director			— <sup>+</sup>
Other receivable and prepayment			<u>2,851</u>
			<u>2,851</u>
Current liabilities			
Accruals			2,368
Amounts due to subsidiaries	29(iii)		<u>2,554</u>
			<u>4,922</u>
Net current liabilities			<u>(2,071)</u>
Net assets			<u>71,141</u>
Capital and reserves			
Share capital	26		— <sup>+</sup>
Reserves	26		<u>71,141</u>
			<u>71,141</u>

+ Less than HK\$1,000.

## (C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Other reserve HK\$'000 (note a)	Special reserve HK\$'000	Property revaluation reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
At 1 April 2013	20,510	(1,253)	—	34,460	(14,100)	39,617
Profit for the year	—	—	—	—	5,542	5,542
Surplus on revaluation of a land and building	—	—	—	2,966	—	2,966
Deferred tax arising from revaluation of a land and building	—	—	—	(350)	—	(350)
Total comprehensive income for the year	—	—	—	2,616	5,542	8,158
At 31 March 2014	20,510	(1,253)	—	37,076	(8,558)	47,775
Profit for the year	—	—	—	—	10,549	10,549
Surplus on revaluation of a land and building	—	—	—	9,031	—	9,031
Deferred tax arising from revaluation of a land and building	—	—	—	(1,340)	—	(1,340)
Total comprehensive income for the year	—	—	—	7,691	10,549	18,240
At 31 March 2015	20,510	(1,253)	—	44,767	1,991	66,015
Loss for the period	—	—	—	—	(3,976)	(3,976)
Surplus on revaluation of a land building	—	—	—	1,652	—	1,652
Total comprehensive income (expense) for the period	—	—	—	1,652	(3,976)	(2,324)
Issue of shares of Medinet (BVI) (note 2(a) of Section E)	5	—	—	—	—	5
Effect of reorganisation (note b)	(20,515)	—	20,515	—	—	—
Reversal of previously recognised deferred tax of a property upon change of tax base	—	—	—	8,178	—	8,178
Realisation of property revaluation reserve upon disposal of a land and building	—	—	—	(54,597)	54,597	—
Dividend (note 15 of Section E)	—	—	—	—	(51,000)	(51,000)
At 31 December 2015	— <sup>+</sup>	(1,253)	20,515	—	1,612	20,874

	Share capital HK\$'000	Other reserve HK\$'000 (note a)	Special reserve HK\$'000	Property revaluation reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
<b>For the nine-month period ended</b>						
<b>31 December 2014 (unaudited)</b>						
At 1 April 2014	20,510	(1,253)	—	37,076	(8,558)	47,775
Profit for the period	—	—	—	—	4,717	4,717
Surplus on revaluation of a land and building	—	—	—	2,023	—	2,023
Deferred tax arising from revaluation of a land and building	—	—	—	(333)	—	(333)
Total comprehensive income for the period	—	—	—	1,690	4,717	6,407
At 31 December 2014	<u>20,510</u>	<u>(1,253)</u>	<u>—</u>	<u>38,766</u>	<u>(3,841)</u>	<u>54,182</u>

+ Less than HK\$1,000.

*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, Medinet Services and Medinet Health Centre of which Mr. Chan Chi Wai, Nelson (“Mr. Chan”) was the ultimate owner and the controlling shareholder (“Controlling Shareholder”). The interest-free loan was initially measured at its fair value of HK\$12,410,000 at an effective interest rate of 3.25% per annum and subsequently carried at amortised cost using effective interest method, resulting in an imputed interest income of HK\$576,000, HK\$422,000, HK\$544,000 (unaudited) and HK\$312,000 recognised in profit or loss for each of the years ended 31 March 2014 and 31 March 2015 and each of the nine-month period ended 31 December 2014 and 2015 respectively. 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 during the year ended 31 March 2013.
- (b) Amount represents (1) the difference between the nominal value of the share capital issued by Medinet (BVI) for the acquisition of the entire equity interests in the Hong Kong Subsidiaries and the nominal value of share capital of the Hong Kong Subsidiaries; and (2) the difference between the nominal value of the share capital issued by the Company for the acquisition of the entire equity interests in Medinet (BVI) and the nominal value of share capital of Medinet (BVI).

## (D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Operating activities				
Profit (loss) before taxation	6,800	12,736	5,795	(2,347)
Adjustments for:				
Interest income	(410)	(424)	(376)	(313)
Depreciation of property, plant and equipment	3,654	3,656	2,630	1,906
Finance costs	939	958	730	534
Dividend income	(292)	(51)	(51)	(139)
Unrealised loss (gain) on fair value change of held-for-trading investments	35	(617)	(256)	825
Loss on written off of property, plant and equipment	—	—	—	131
Operating cash flows before movements in working capital	10,726	16,258	8,472	597
Increase in held-for-trading investments	(694)	(3,307)	(2,224)	—
(Increase) decrease in accounts and other receivables	(3,993)	2,124	1,034	(2,791)
(Decrease) increase in accounts and other payables	(1,068)	926	1,439	(110)
Cash generated from (used in) operations	4,971	16,001	8,721	(2,304)
Hong Kong Profits Tax (paid) refunded	(141)	(1,876)	(62)	4
Net cash from (used in) operating activities	4,830	14,125	8,659	(2,300)
Investing activities				
Purchase of property, plant and equipment	(1,695)	(1,235)	(435)	(481)
Advances to related parties	(1,051)	(4,890)	(3,099)	(3,751)
Advance to a director	—	—	—	(185)
Repayment from a director	—	—	—	20,155
Repayments from related parties	—	707	100	—
Dividend received	292	51	51	139
Interest received	1	2	2	1
Net cash (used in) generated from investing activities	(2,453)	(5,365)	(3,381)	15,878

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
			(unaudited)	
Financing activities				
New bank borrowings raised	16,528	1,896	89	—
Advance from a director	3,696	478	—	225
Advances from related parties	2,213	—	—	—
Issue of shares	—	—	—	5
Repayments of bank borrowings	(7,003)	(2,674)	(2,005)	(2,202)
Repayments to related parties	(4,261)	(447)	(418)	(37)
Interest paid	(939)	(958)	(730)	(534)
Repayment of finance lease obligation	(330)	(343)	(256)	(88)
Repayment to a director	(4,256)	(5,402)	(2,592)	(1,332)
Net cash from (used in) financing activities	<u>5,648</u>	<u>(7,450)</u>	<u>(5,912)</u>	<u>(3,963)</u>
Net increase (decrease) in cash and cash equivalents	8,025	1,310	(634)	9,615
Cash and cash equivalents at beginning of the year/period	<u>1,190</u>	<u>9,215</u>	<u>9,215</u>	<u>10,525</u>
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	<u>9,215</u>	<u>10,525</u>	<u>8,581</u>	<u>20,140</u>

**(E) NOTES TO THE FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 August 2015.

The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Prospectus.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

**2. REORGANISATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION**

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

- (a) On 12 August 2015, Medinet (BVI) was incorporated in BVI with limited liability with an issued share capital of US\$600 divided into 600 ordinary shares, issued to Medinet International Limited ("Medinet International") for cash, which is wholly owned by the Controlling Shareholder.
- (b) On 20 August 2015, the Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, the Company had an authorised share capital of HK\$390,000 divided into 39,000,000 ordinary shares, of which one subscriber share was allotted and issued and such one share was transferred to Medinet International on the same date.
- (c) On 28 August 2015, Medinet (BVI) acquired 99.9998% and 0.0002% of the issued share capital of Medinet Health Centre from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.
- (d) On 28 August 2015, Medinet (BVI) acquired 99.99999% and 0.00001% of the issued share capital of Medinet Services from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.
- (e) On 28 August 2015, Medinet (BVI) acquired 99.99999% and 0.00001% of the issued share capital of Well Being from MediNet Holdings and Mr. Chan, respectively, in consideration of 99 shares and 1 share of Medinet (BVI) allotted to Medinet International (as a nominee of MediNet Holdings) and Medinet International (as a nominee of Mr. Chan), respectively.
- (f) On 28 August 2015, Medinet (BVI) acquired 100% of the issued share capital of Men's Health Solutions from Mr. Chan in consideration of 100 shares of Medinet (BVI) allotted to Medinet International (as a nominee of Mr. Chan).
- (g) On 28 October 2015, Medinet International entered into a sale and purchase agreement with NSD Capital Limited ("NSD Capital"), an independent third party, pursuant to which Medinet International transferred 250 shares of Medinet (BVI) to NSD Capital at a cash consideration of HK\$45,000,000. Upon completion of the transfer, Medinet (BVI) is owned as to 75% by Medinet International and 25% by NSD Capital.
- (h) On 11 November 2015, Medinet International and NSD Capital transferred 750 shares and 250 shares of Medinet (BVI) to the Company, in consideration of the Company allotted and issued 74 shares and 25 shares, all credited as fully paid, to Medinet International and NSD Capital, respectively.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 11 November 2015. Its immediate and ultimate holding company is Medinet International, a company incorporated in BVI which Mr. Chan is the ultimate controlling party. The Company and its subsidiaries have been under the common control of Mr. Chan throughout the Track Record Period or since their respective date of incorporation, where there is a shorter period. The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group.

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

The consolidated statements of financial position as at 31 March 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taking into account the respective date of incorporation of the relevant entity.

### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has applied all HKFRSs issued by the HKICPA which are effective for the Group's accounting periods beginning on 1 April 2015 consistently throughout the Track Record Period.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

#### HKFRS 9 “Financial Instruments”

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

Key requirements of HKFRS 9 are described below:

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

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

#### **HKFRS 15 “Revenue from Contracts with Customers”**

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

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

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

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

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

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for a property and financial instruments that are measured at revalued amounts or fair values, as appropriate and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

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

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of the entities now comprising the Group. Control is achieved when the Company:

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

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

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

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

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

#### **Merger accounting for business combination involving entities under common control**

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

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

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

#### **Revenue recognition**

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

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

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

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

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

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

#### **Property, plant and equipment**

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

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

Any revaluation increase arising on the revaluation of such land and building is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent

of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and building is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

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

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

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

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

#### **Borrowing costs**

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

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

#### **Leasing**

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

#### ***The Group as lessee***

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

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

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

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

#### ***Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the

minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

### **Financial instruments**

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

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

#### *Financial assets*

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

#### *Effective interest method*

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

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

#### Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

*Loans and receivables*

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

*Impairment of financial assets*

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

Objective evidence of impairment could include:

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

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

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

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

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

*Financial liabilities and equity instruments**Classification as debt or equity*

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

*Equity instruments*

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

#### Financial liabilities

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

#### Effective interest method

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

Interest expense is recognised on an effective interest basis.

#### *Derecognition*

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

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

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

#### **Provisions**

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

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

#### **Impairment losses**

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

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

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

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

#### **Retirement benefit costs**

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

#### **Taxation**

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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 Financial Information 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.

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

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

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

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

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

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

**Fair value measurement of leasehold property**

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

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

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

Where the actual cash flows are less than expected, material impairment loss may arise. The carrying amounts of the accounts and other receivables and amounts due from a director and related parties are disclosed in notes 19 and 20 to Section E of the Financial Information respectively.

**Recognition of deferred tax**

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable temporary difference and taxable profit will be available against which the losses and credits can be utilised. Significant judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. As at 31 March 2014, 31 March 2015 and 31 December 2015, the carrying amounts of deferred tax assets are approximately HK\$227,000, HK\$31,000 and HK\$127,000 respectively.

Further details are disclosed in note 25 of Section E.

**Annual retainer contracts**

The Group enters into medical and dental contracts with contract customers where the contract customers would pay a fixed fee to the Group generally in advance for (i) unlimited or specified number of visit in relation to a specified range of medical and dental services within a specified period; and (ii) for other medical and dental services not covered in (i), generally at a discounted price within such specified period, through (a) medical centres and dental clinics owned and operated by the Group, or (b) medical centres and auxiliary service providers not owned nor operated by the Group but agreed to provide various medical services to the contract customers of the Group under a

network of healthcare service providers maintained by the Group (the “Annual Retainer Contracts”). The level of services to be rendered under the Annual Retainer Contracts is uncertain and depends on uncertain future events. The Group has to consider whether the cost of meeting its contractual obligations to provide the services under the Annual Retainer Contracts may exceed the revenue it will receive and the probability of such risk (the “Risk”), when assessing the pricing and provisioning for such contracts.

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

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

## 6. 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 throughout the Track Record Period.

The capital structure of the Group consists of debt, which include bank borrowings disclosed in note 23 of Section E and equity attributable to owner of the Company, comprising share capital and reserves.

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

## 7. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
			HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	37,937	41,714	31,801
Fair value through profit or loss — held-for-trading investments	659	4,583	3,758
Financial liabilities			
Amortised cost	<u>58,995</u>	<u>50,550</u>	<u>9,890</u>

### Financial risk management objectives and policies

The Group’s major financial instruments include held-for-trading investments, accounts and other receivables, amounts due from a director and related parties, bank balances and cash, accounts and other payables, amounts due to a director and related parties, obligation under a finance lease and bank borrowings. Details of these financial instruments are disclosed in respective notes of Section E. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk**Interest rate risk*

The Group is exposed to cash flow interest rate risk relates primarily to variable-rate bank deposits and bank borrowings (see notes 21 and 23 of Section E respectively) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

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

*Sensitivity analysis*

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

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

If interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the two years ended 31 March 2014 and 31 March 2015 would decrease/increase by approximately HK\$158,000 and HK\$155,000 respectively.

No sensitivity analysis on variable-rate bank borrowings is presented as at 31 December 2015 as the Group has no outstanding bank borrowings at the end of the reporting period.

*Foreign currency risk*

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

*Credit risk*

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

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

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

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

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

*Liquidity risk*

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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

*Liquidity and interest risk tables*

	Weighted average interest rate %	On demand or less than 6 months HK\$'000	6 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>At 31 March 2014</b>								
Accounts and other payables	—	13,790	—	—	—	—	13,790	13,790
Amount due to a director	—	6,420	—	—	—	—	6,420	6,420
Amounts due to related parties	—	969	—	—	—	—	969	969
Bank borrowings — variable-rate	2.57	18,418	779	1,559	4,676	15,981	41,413	37,816
Obligation under a finance lease	2.00	177	176	88	—	—	441	431
		<u>39,774</u>	<u>955</u>	<u>1,647</u>	<u>4,676</u>	<u>15,981</u>	<u>63,033</u>	<u>59,426</u>

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

	Weighted average interest rate %	On demand or less than 6 months HK\$'000	6 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>At 31 December 2015</b>								
Accounts and other payables	—	9,890	—	—	—	—	9,890	9,890
		<u>9,890</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,890</u>	<u>9,890</u>

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

The bank borrowings with a repayment on demand clause are also included in the “on demand or less than 6 months” time band in the above maturity analysis. As at 31 March 2014 and 31 March 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$17,639,000 and HK\$17,987,000 respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid five years after the end of the reporting period in accordance with the scheduled repayment dates set out in bank borrowings agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$18,333,000 and HK\$18,480,000 at 31 March 2014 and 31 March 2015 respectively.

	On					Total undiscounted cash flows	Carrying amounts
	demand or less than 6 months	6 months to 1 year	1–2 years	2–5 years	More than 5 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2014	<u>10,897</u>	<u>829</u>	<u>1,657</u>	<u>4,863</u>	<u>87</u>	<u>18,333</u>	<u>17,639</u>
At 31 March 2015	<u>11,781</u>	<u>1,750</u>	<u>1,657</u>	<u>3,292</u>	<u>—</u>	<u>18,480</u>	<u>17,987</u>

#### Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

#### *Fair value measurements recognised in the consolidated statements of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

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

Financial assets	31 March 2014	Fair value as at		Fair value hierarchy	Valuation technique
		31 March 2015	31 December 2015		
Held-for-trading investments (note 18 of Section E)	Listed equity securities — Insurance industry — HK\$659,000	Listed equity securities — Insurance industry — HK\$1,019,000 — Pharmaceutical industry — HK\$427,000 — Banking industry — HK\$1,417,000 — Telecommunication industry — HK\$1,720,000	Listed equity securities — Insurance industry — HK\$751,000 — Pharmaceutical industry — HK\$351,000 — Banking industry — HK\$1,168,000 — Telecommunication industry — HK\$1,488,000	Level 1	Quoted bid prices in an active market.

There were no transfers between the three levels during the Track Record Period.

#### 8. REVENUE AND SEGMENT INFORMATION

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

## Segment revenues and results

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

Year ended 31 March 2014

	Dental solutions and dental services <i>HK\$'000</i>	Medical solutions and medical services <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE					
External revenue	19,163	58,357	77,520	—	77,520
Inter-segment revenue	<u>556</u>	<u>—</u>	<u>556</u>	<u>(556)</u>	<u>—</u>
Segment revenue	<u>19,719</u>	<u>58,357</u>	<u>78,076</u>	<u>(556)</u>	<u>77,520</u>
Segment profit	<u>772</u>	<u>7,802</u>	<u>8,574</u>		8,574
Unallocated expenses					(3,002)
Unallocated income					1,428
Unallocated gain					739
Finance costs					<u>(939)</u>
Profit before taxation					<u>6,800</u>
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	<u>531</u>	<u>943</u>	<u>1,474</u>		<u>1,474</u>

Year ended 31 March 2015

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

For the nine-month period ended 31 December 2015

	<b>Dental solutions and dental services HK\$'000</b>	<b>Medical solutions and medical services HK\$'000</b>	<b>Segment total HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>Total HK\$'000</b>
SEGMENT REVENUE					
External revenue	17,620	49,713	67,333	—	67,333
Inter-segment revenue	<u>607</u>	<u>—</u>	<u>607</u>	<u>(607)</u>	<u>—</u>
Segment revenue	<u>18,227</u>	<u>49,713</u>	<u>67,940</u>	<u>(607)</u>	<u>67,333</u>
Segment profit	<u>1,443</u>	<u>6,903</u>	<u>8,346</u>		8,346
Unallocated expenses					(1,767)
Unallocated income					1,769
Unallocated loss					(956)
Finance costs					(534)
Listing expenses					<u>(9,205)</u>
Loss before taxation					<u>(2,347)</u>
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	<u>401</u>	<u>623</u>	<u>1,024</u>		<u>1,024</u>

For the nine-month period ended 31 December 2014

	<b>Dental solutions and dental services HK\$'000 (unaudited)</b>	<b>Medical solutions and medical services HK\$'000 (unaudited)</b>	<b>Segment total HK\$'000 (unaudited)</b>	<b>Elimination HK\$'000 (unaudited)</b>	<b>Total HK\$'000 (unaudited)</b>
SEGMENT REVENUE					
External revenue	16,250	44,187	60,437	—	60,437
Inter-segment revenue	<u>659</u>	<u>—</u>	<u>659</u>	<u>(659)</u>	<u>—</u>
Segment revenue	<u>16,909</u>	<u>44,187</u>	<u>61,096</u>	<u>(659)</u>	<u>60,437</u>
Segment profit	<u>737</u>	<u>5,594</u>	<u>6,331</u>		6,331
Unallocated expenses					(1,841)
Unallocated income					1,679
Unallocated gain					356
Finance costs					<u>(730)</u>
Profit before taxation					<u>5,795</u>
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	<u>384</u>	<u>610</u>	<u>994</u>		<u>994</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4 of Section E. Segment profit represents the profit earned or loss incurred by each segment without allocation of unallocated expenses, income and gain/loss mainly including depreciation on leasehold property, general office expenses, listing expenses, other service income, dividend income, interest income, gain/loss on fair value change of held-for-trading investments, 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.

#### 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

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:				
Medical services	49,344	48,313	34,987	38,818
Dental services	6,431	7,194	4,680	5,441
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	9,013	13,142	9,200	10,895
Dental services	<u>12,732</u>	<u>18,284</u>	<u>11,570</u>	<u>12,179</u>
	<u>77,520</u>	<u>86,933</u>	<u>60,437</u>	<u>67,333</u>

#### Information about major customers

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

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Customer A <sup>1</sup>	9,724	9,456	6,607	7,053
Customer B <sup>2</sup>	<u>8,065</u>	<u>8,925</u>	<u>7,269</u>	<u>6,276</u>

<sup>1</sup> Revenue from the provision of dental and medical solutions

<sup>2</sup> Revenue from the provision of medical solutions

**Geographical information**

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

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

**9. OTHER INCOME**

	Year ended 31 March		Nine-month period ended 31 December	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)			
Other service income ( <i>note</i> )	702	1,609	1,250	1,316
Dividend income	292	51	51	139
Imputed interest income	409	422	374	312
Bank interest income	1	2	2	1
Credit card rebate	154	148	112	113
Others	24	2	2	1
	<u>1,582</u>	<u>2,234</u>	<u>1,791</u>	<u>1,882</u>

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

**10. OTHER GAINS AND LOSSES**

	Year ended 31 March		Nine-month period ended 31 December	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)			
Gain (loss) on fair value change of held-for-trading investments	739	717	356	(825)
Loss on written off of property, plant and equipment	—	—	—	(131)
	<u>739</u>	<u>717</u>	<u>356</u>	<u>(956)</u>

## 11. FINANCE COSTS

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on:				
Bank borrowings wholly repayable within five years according to scheduled repayment dates	459	515	393	299
Mortgage loan not wholly repayable within five years according to scheduled repayment dates	457	433	328	234
Finance lease wholly repayable within five years	<u>23</u>	<u>10</u>	<u>9</u>	<u>1</u>
	<u>939</u>	<u>958</u>	<u>730</u>	<u>534</u>

## 12. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit (loss) before taxation has been arrived at after charging:				
Medical and dental professional services expenses ( <i>note i</i> )	37,318	37,960	27,181	31,819
Directors' remuneration ( <i>note 14 of Section E</i> )	—	—	—	—
Salaries and allowance for staff excluding directors	17,407	19,047	14,557	15,083
Retirement benefit schemes contributions for staffs excluding directors	<u>530</u>	<u>590</u>	<u>455</u>	<u>437</u>
Total staff costs ( <i>note ii</i> )	<u>17,937</u>	<u>19,637</u>	<u>15,012</u>	<u>15,520</u>
Minimum lease payment in respect of rental premises	4,232	4,323	3,299	3,094
Auditor's remuneration	<u>56</u>	<u>500</u>	<u>—</u>	<u>—</u>

## Notes:

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

## 13. INCOME TAX EXPENSE

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Current tax	1,030	1,961	871	1,559
Deferred tax ( <i>note 25 of Section E</i> )	<u>228</u>	<u>226</u>	<u>207</u>	<u>70</u>
	<u>1,258</u>	<u>2,187</u>	<u>1,078</u>	<u>1,629</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Track Record Period.

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK\$10,000, HK\$20,000 and HK\$20,000 for the years ended 31 March 2014 and 31 March 2015 and the nine-month period ended 31 December 2015 respectively.

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

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Profit (loss) before taxation	<u>6,800</u>	<u>12,736</u>	<u>5,795</u>	<u>(2,347)</u>
Tax at Hong Kong Profits Tax rate of 16.5%	1,122	2,101	956	(387)
Tax effect of expenses not deductible for tax purposes	272	253	201	1,929
Tax effect of income not taxable for tax purposes	(116)	(97)	(73)	(88)
Tax concession	(20)	(70)	(6)	(80)
Tax effect of disposal of leasehold property	<u>—</u>	<u>—</u>	<u>—</u>	<u>255</u>
Income tax expense for the year/period	<u>1,258</u>	<u>2,187</u>	<u>1,078</u>	<u>1,629</u>

Details of deferred taxation are set out in note 25 of Section E.

## 14. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

Mr. Chan and Ms. Jiang Jie, who is the spouse of Mr. Chan, were appointed as the executive directors of the Company on 11 November 2015. Mr. Chan was the chief executive of the Company.

**Directors and Chief Executive**

During the Track Record Period, no emoluments were paid by the group entities to the directors of the Company and the chief executive of the Company as fees, salaries and allowances, performance related incentive payments and retirement benefit schemes contributions.

**Employees**

The five highest paid individuals of the Group do not include any directors of the Company for each reporting period. The emoluments of the five highest paid individuals for the Track Record Period are as follows:

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries and allowances	4,798	5,526	4,197	4,544
Contribution to retirement benefit scheme	<u>75</u>	<u>88</u>	<u>65</u>	<u>61</u>
	<u>4,873</u>	<u>5,614</u>	<u>4,262</u>	<u>4,605</u>

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

	Year ended 31 March		Nine-month period ended 31 December	
	2014	2015	2014 (unaudited)	2015
Nil to HK\$1,000,000	3	2	4	3
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>3</u>	<u>1</u>	<u>2</u>
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the Track Record Period.

**15. DIVIDENDS**

No dividend was proposed or paid during each of the years ended 31 March 2014 and 31 March 2015.

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

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

## 16. EARNINGS (LOSS) PER SHARE

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Earnings (loss):				
Earnings (loss) for the purpose of calculating basic earnings (loss) per share (profit (loss) for the year/period)	<u>5,542</u>	<u>10,549</u>	<u>4,717</u>	<u>(3,976)</u>
	'000	'000	'000	'000
Number of shares:				
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>780,000</u>	<u>780,000</u>	<u>780,000</u>	<u>780,000</u>

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in Section G below had been effective on 1 April 2013.

No diluted earnings (loss) per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property HK\$'000	Leasehold improvements HK\$'000	Professional equipments HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST/VALUATION						
At 1 April 2013	72,800	6,388	7,151	3,933	3,642	93,914
Additions	—	1,094	70	531	—	1,695
Surplus on valuation	1,400	—	—	—	—	1,400
Written off	—	(569)	—	—	—	(569)
At 31 March 2014	<u>74,200</u>	<u>6,913</u>	<u>7,221</u>	<u>4,464</u>	<u>3,642</u>	<u>96,440</u>
Comprising						
At cost	—	6,913	7,221	4,464	3,642	22,240
At valuation — 31 March 2014	<u>74,200</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>74,200</u>
	<u>74,200</u>	<u>6,913</u>	<u>7,221</u>	<u>4,464</u>	<u>3,642</u>	<u>96,440</u>
At 1 April 2014	74,200	6,913	7,221	4,464	3,642	96,440
Additions	—	996	116	123	—	1,235
Surplus on valuation	7,400	—	—	—	—	7,400
Written off	—	(343)	—	—	—	(343)
At 31 March 2015	<u>81,600</u>	<u>7,566</u>	<u>7,337</u>	<u>4,587</u>	<u>3,642</u>	<u>104,732</u>
Comprising						
At cost	—	7,566	7,337	4,587	3,642	23,132
At valuation — 31 March 2015	<u>81,600</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>81,600</u>
	<u>81,600</u>	<u>7,566</u>	<u>7,337</u>	<u>4,587</u>	<u>3,642</u>	<u>104,732</u>
At 1 April 2015	81,600	7,566	7,337	4,587	3,642	104,732
Additions	—	231	128	122	—	481
Surplus on valuation	1,041	—	—	—	—	1,041
Eliminated on written off	—	(62)	—	(1,113)	—	(1,175)
Eliminated on disposals	<u>(82,641)</u>	<u>(3,314)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(85,955)</u>
At 31 December 2015	<u>—</u>	<u>4,421</u>	<u>7,465</u>	<u>3,596</u>	<u>3,642</u>	<u>19,124</u>

	Leasehold property HK\$'000	Leasehold improvements HK\$'000	Professional equipments HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
DEPRECIATION						
At 1 April 2013	—	4,457	6,336	3,025	2,198	16,016
Provided for the year	1,566	894	323	417	454	3,654
Eliminated on written off	—	(569)	—	—	—	(569)
Eliminated on revaluation	(1,566)	—	—	—	—	(1,566)
At 31 March 2014	—	4,782	6,659	3,442	2,652	17,535
Provided for the year	1,631	993	281	421	330	3,656
Eliminated on written off	—	(343)	—	—	—	(343)
Eliminated on revaluation	(1,631)	—	—	—	—	(1,631)
At 31 March 2015	—	5,432	6,940	3,863	2,982	19,217
Provided for the period	611	576	212	259	248	1,906
Eliminated on written off	—	(61)	—	(983)	—	(1,044)
Eliminated on disposals	—	(2,455)	—	—	—	(2,455)
Eliminated on revaluation	(611)	—	—	—	—	(611)
At 31 December 2015	—	3,492	7,152	3,139	3,230	17,013
CARRYING VALUES						
At 31 March 2014	<u>74,200</u>	<u>2,131</u>	<u>562</u>	<u>1,022</u>	<u>990</u>	<u>78,905</u>
At 31 March 2015	<u>81,600</u>	<u>2,134</u>	<u>397</u>	<u>724</u>	<u>660</u>	<u>85,515</u>
At 31 December 2015	<u>—</u>	<u>929</u>	<u>313</u>	<u>457</u>	<u>412</u>	<u>2,111</u>

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

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

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

The leasehold property with carrying amount of HK\$74,200,000 and HK\$81,600,000 as at 31 March 2014 and 31 March 2015 is pledged to secure the mortgage loan and other banking facilities of the Group.

If the leasehold property had not been revalued, it would have been included in the Financial Information at historical cost less accumulated depreciation and its carrying amount would have been approximately HK\$32,760,000 and HK\$32,040,000 as at 31 March 2014 and 31 March 2015 respectively.

**Fair value measurement of the Group's leasehold property**

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

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

There were no transfers between different levels of fair value hierarchy during the Track Record Period.

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

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

Fair value measurements using significant unobservable inputs (Level 3) as at 31 March 2014:

Description	Valuation technique	Significant unobservable inputs	Sensitivity
Leasehold property in Hong Kong	Direct comparison method  The key input:  (i) price per square feet	Price per square feet, using direct market comparables and taking into account of time, and individual factors such as size and landscape view, of HK\$26,662	An increase in the price per square feet used would result in a same percentage increase in the fair value measurement of the leasehold property, and vice versa

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

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

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

#### 18. HELD-FOR-TRADING INVESTMENTS

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
Listed equity securities in Hong Kong	659	4,583	3,758

At the end of each reporting period, the fair value of the held-for-trading investments are determined based on quoted bid prices in an active market.

#### 19. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
Accounts receivables	8,805	10,238	8,214
Other receivables			
— Other receivables	5,128	1,557	3,170
— Prepayments	139	246	3,163
— Rental and utility deposits	1,078	985	1,270
Total accounts and other receivables	15,150	13,026	15,817
Less: Receivables within twelve months shown under current assets	(14,166)	(12,143)	(14,818)
Rental deposits shown under non-current assets	984	883	999

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 at the end of each reporting period.

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
Within 30 days	4,019	5,555	3,848
31 to 60 days	3,954	2,566	2,883
61 to 90 days	829	1,641	1,132
91 to 180 days	3	476	351
	8,805	10,238	8,214

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.

Included in the Group's accounts receivables balance are debtors with aggregate carrying amounts of HK\$3,000, HK\$476,000 and HK\$351,000 as at 31 March 2014, 31 March 2015 and 31 December 2015 respectively 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**

	As at 31 March		As at
	2014	2015	31 December 2015
	HK\$'000	HK\$'000	HK\$'000
Overdue by:			
1 to 30 days	3	450	313
31 to 60 days	—	26	—
61 to 90 days	—	—	31
91 to 180 days	—	—	7
	<u>3</u>	<u>476</u>	<u>351</u>

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

At 31 March 2014, the non-current portion of amount due from a related party amounting to HK\$12,986,000, represents the amount of three-year unsecured and interest-free loan advanced by the Group to MediNet Holdings. Such loan has been reclassified to current assets at 31 March 2015 in anticipation of recovery within one year and has been settled during the nine-month period ended 31 December 2015 through various arrangement as set out in note 31 of Section E.

Except from the above, the amounts due from (to) a director and related parties are unsecured, interest-free and repayable on demand. No collateral is held over these balances by the Group.

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

	As at			Maximum balance outstanding during the year/period ended			
	1 April	As at 31 March		31 December	the year ended 31 March		the nine- month ended
	2013	2014	2015	2015	2014	2015	2015
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
<b>Amounts due from related parties</b>							
<b>— current, unsecured and interest free</b>							
Unicare Limited <sup>2</sup>	696	1,717	2,924	—	1,717	2,924	2,924
Medinet International <sup>1</sup>	46	46	51	—	46	51	55
MediNet Dental Services <sup>1</sup>	10	13	18	—	13	18	38
MediNet Holdings	—	27	13,515	92	27	13,515	13,735
Times Insurance Consultants Limited <sup>1</sup>	—	—	2,886	—	—	2,886	6,613
	<u>752</u>	<u>1,803</u>	<u>19,394</u>	<u>92</u>			
<b>Amount due from a related party</b>							
<b>— non-current</b>							
MediNet Holdings	<u>12,577</u>	<u>12,986</u>	<u>—</u>	<u>—</u>	<u>12,986</u>	<u>—</u>	<u>—</u>
<b>Amount due from a director</b>							
Mr. Chan	<u>—</u>	<u>—</u>	<u>—</u>	<u>185</u>	<u>—</u>	<u>—</u>	<u>185</u>
				<b>As at 31 March</b>			<b>As at</b>
				<b>2014</b>	<b>2015</b>		<b>31 December</b>
				<i>HK\$ '000</i>	<i>HK\$ '000</i>		<i>2015</i>
							<i>HK\$ '000</i>
<b>Amount due to a director</b>							
Mr. Chan				<u>6,420</u>	<u>1,496</u>		<u>—</u>
<b>Amounts due to related parties</b>							
Synergy Health Care Limited (“Synergy Health Care”) <sup>1</sup>				648	522		—
Times Insurance Consultants Limited <sup>1</sup>				<u>321</u>	<u>—</u>		<u>—</u>
				<u>969</u>	<u>522</u>		<u>—</u>

<sup>1</sup> Mr. Chan is the director and also the controlling shareholder of these companies.

<sup>2</sup> Mr. Chan is the director and also the controlling shareholder of the entity upto 18 November 2015 and resigned as director on that day.

In November 2015, MediNet Dental Services Limited filed a notification of change of company name with the Companies Registry of the Government to change its name to Daily Wise International Limited pursuant to a special resolution for the change of company name passed on 23 November 2015.

Through various arrangement, the amounts due from (to) related parties and amount due to a director outstanding as at 31 March 2015 were settled in full on 27 November 2015 with details described in note 31 of Section E.

**21. BANK BALANCES AND CASH**

Bank balances carried interest at prevailing market interest rates based on daily bank deposits rates for the Track Record Period.

**22. ACCOUNTS AND OTHER PAYABLES**

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
			HK\$'000
Accounts payables	13,149	11,127	8,653
Other payables	641	367	1,237
Receipt in advance	2,846	5,196	4,692
Accrued expenses	<u>1,410</u>	<u>2,282</u>	<u>4,280</u>
	<u>18,046</u>	<u>18,972</u>	<u>18,862</u>

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

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

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
			HK\$'000
Within 30 days	3,979	2,997	3,571
31 to 60 days	2,612	2,573	2,391
61 to 90 days	3,160	3,003	2,532
91 to 180 days	3,208	2,554	159
Over 180 days	<u>190</u>	<u>—</u>	<u>—</u>
	<u>13,149</u>	<u>11,127</u>	<u>8,653</u>

## 23. BANK BORROWINGS

	As at 31 March		As at
	2014	2015	31 December
	HK\$ '000	HK\$ '000	2015
			HK\$ '000
Bank borrowings	17,639	17,987	—
Mortgage loan ( <i>note i</i> )	<u>20,177</u>	<u>19,051</u>	<u>—</u>
	<u>37,816</u>	<u>37,038</u>	<u>—</u>
Secured ( <i>note i</i> )	37,771	35,224	—
Unsecured	<u>45</u>	<u>1,814</u>	<u>—</u>
	<u>37,816</u>	<u>37,038</u>	<u>—</u>
Guaranteed	<u>37,816</u>	<u>37,038</u>	<u>—</u>
Carrying amounts repayable ( <i>note ii</i> )			
Within one year	1,125	1,150	—
More than one year, but not exceeding two years	1,150	1,176	—
More than two years, but not exceeding five years	3,609	3,688	—
More than five years	<u>14,293</u>	<u>13,037</u>	<u>—</u>
	20,177	19,051	—
Carrying amounts of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	11,467	13,286	—
Carrying amounts of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause ( <i>note iii</i> )	<u>6,172</u>	<u>4,701</u>	<u>—</u>
	37,816	37,038	—
Less: Amounts due within twelve months shown under current liabilities	<u>(18,764)</u>	<u>(19,136)</u>	<u>—</u>
Amounts shown under non-current liabilities	<u>19,052</u>	<u>17,902</u>	<u>—</u>

*Notes:*

- (i) The mortgage loan and certain bank borrowings are secured by the leasehold property of the Group.
- (ii) The repayable amounts are based on scheduled repayment dates set out in the bank borrowings agreements.

- (iii) The bank borrowings repayable based on scheduled repayment dates set out in the bank borrowings agreements are as follows:

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
			HK\$'000
Within one year	1,470	1,522	—
More than one year, but not exceeding two years	1,522	1,574	—
More than two years, but not exceeding five years	1,574	1,518	—
More than five years	<u>1,606</u>	<u>87</u>	<u>—</u>
	<u>6,172</u>	<u>4,701</u>	<u>—</u>

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

	As at 31 March		As at
	2014	2015	31 December
			2015
Effective interest rates:			
Variable-rate borrowings	<u>2.20%–3.75%</u>	<u>2.20%–4.00%</u>	<u>—</u>

Details of bank borrowings guaranteed by the related parties are set out in note 29 of Section E.

At 31 March 2014 and 31 March 2015, a subsidiary of the Company and Mr. Chan had provided a joint guarantee to a bank for the banking facility granted to another subsidiary of the Company to the extent of HK\$3,050,000, out of which HK\$45,000, and HK\$1,814,000 were utilised respectively.

In addition, at 31 March 2014 and 31 March 2015, Mr. Chan had provided a personal guarantee to a bank for the banking facility granted to the Group to the extent of HK\$41,400,000, out of which HK\$37,771,000 and 35,224,000 were utilised respectively.

All bank borrowings were settled upon the disposal of the leasehold property together with the corresponding leasehold improvement as disclosed in note 17 of Section E and the respective banking facility and personal guarantee provided by Mr. Chan were released in November 2015.

**24. OBLIGATION UNDER A FINANCE LEASE**

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

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2014 HK\$'000	31 March 2015 HK\$'000	31 March 2014 HK\$'000	31 March 2015 HK\$'000
Amount payable under a finance lease:				
Within one year	353	88	343	88
More than one year; but not exceeding five years	<u>88</u>	<u>—</u>	<u>88</u>	<u>—</u>
	441	88	431	88
Less: Future finance charge	<u>(10)</u>	<u>—<sup>+</sup></u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligation	<u><u>431</u></u>	<u><u>88</u></u>	431	88
Less: Amount due for settlement within twelve months shown under current liabilities			<u>(343)</u>	<u>(88)</u>
Amount due for settlement after twelve months shown under non-current liabilities			<u><u>88</u></u>	<u><u>—</u></u>

<sup>+</sup> Less than HK\$1,000.

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

**25. DEFERRED TAXATION**

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

	Accelerated tax depreciation HK\$'000	Revaluation of a property HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2013	(69)	(6,488)	700	(5,857)
Credit (charge) to profit or loss	37	—	(265)	(228)
Charge to other comprehensive income	<u>—</u>	<u>(350)</u>	<u>—</u>	<u>(350)</u>
At 31 March 2014	(32)	(6,838)	435	(6,435)
Credit (charge) to profit or loss	209	—	(435)	(226)
Charge to other comprehensive income	<u>—</u>	<u>(1,340)</u>	<u>—</u>	<u>(1,340)</u>
At 31 March 2015	177	(8,178)	—	(8,001)
Charge to profit or loss	(70)	—	—	(70)
Reversal of previously recognised deferred tax of a property upon change of tax base	<u>—</u>	<u>8,178</u>	<u>—</u>	<u>8,178</u>
At 31 December 2015	<u><u>107</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>107</u></u>

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

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
Deferred tax assets	227	31	127
Deferred tax liabilities	<u>(6,662)</u>	<u>(8,032)</u>	<u>(20)</u>
	<u>(6,435)</u>	<u>(8,001)</u>	<u>107</u>

## 26. SHARE CAPITAL/RESERVES

The share capital at 1 April 2013, 31 March 2014 and 31 March 2015 represented the then issued share capital of the Hong Kong Subsidiaries.

The share capital at 31 December 2015 represented the issued and fully paid share capital of the Company.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands 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.

Details of movements of authorised and issued capital of the Company are as follow:

	Number of share	Share capital HK\$
Ordinary share of HK\$0.01 each		
Authorised:		
At incorporation and 31 December 2015	<u>39,000,000</u>	<u>390,000</u>
Issued and fully paid:		
At incorporation	1	0.01
Allotment of shares	<u>99</u>	<u>0.99</u>
At 31 December 2015	<u>100</u>	<u>1</u>

Below is a table showing the movements of the share capital and reserves of the Company since its incorporation and up to 31 December 2015:

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At date of incorporation	— <sup>+</sup>	—	—	—	— <sup>+</sup>
Issue of shares	— <sup>+</sup>	—	—	—	— <sup>+</sup>
Loss for the period	—	—	—	(2,867)	(2,867)
Deemed contribution	<u>—</u>	<u>73,212</u>	<u>796</u>	<u>—</u>	<u>74,008</u>
	<u>—</u>	<u>73,212</u>	<u>796</u>	<u>(2,867)</u>	<u>71,141</u>

<sup>+</sup> Less than HK\$1,000.

**27. OPERATING LEASES****The Group as lessee**

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

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
			HK\$'000
Minimum lease payments under operating leases:			
Within one year	3,308	3,143	3,418
In the second to fifth years inclusive	<u>1,915</u>	<u>1,550</u>	<u>3,596</u>
	<u>5,223</u>	<u>4,693</u>	<u>7,014</u>

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

**28. PLEDGE OF ASSETS**

An asset with the following carrying amount has been pledged to secure the bank borrowings of the Group (note 23 of Section E):

	As at 31 March		As at
	2014	2015	31 December
	HK\$'000	HK\$'000	2015
			HK\$'000
Leasehold property	<u>74,200</u>	<u>81,600</u>	<u>—</u>

In addition, the Group's obligation under a finance lease (note 24 of Section E) is secured by the lessor's title to the leased asset, which has a carrying amount of HK\$990,000 and HK\$660,000 at 31 March 2014 and 31 March 2015 respectively. As at 31 December 2015, the pledge was released upon the completion of disposal of the leasehold property as disclosed in note 17 of Section E.

**29. RELATED PARTY TRANSACTIONS**

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

Name of related company	Relationship	Nature of transaction	Year ended 31 March		Nine-month period ended 31 December	
			2014	2015	2014	2015
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
Synergy Healthcare	Related company	Other service income	<u>6</u>	<u>4</u>	<u>3</u>	<u>2</u>

(ii) A subsidiary of the Company and Mr. Chan have provided a joint guarantee of HK\$3,050,000 in aggregate to a bank and Mr. Chan has provided a personal guarantee of HK\$41,400,000 to a bank at 31 March 2014 and 31 March 2015 for the banking facilities granted to the Group. The amount of facilities utilised by the Group

amounted to HK\$37,816,000 and HK\$37,038,000 as at 31 March 2014 and 31 March 2015 respectively (note 23 of Section E). As at 31 December 2015, the Group has no outstanding bank facilities and no guarantee was provided by Mr. Chan for banking facilities granted by banks to the Group.

- (iii) The amounts due to subsidiaries are unsecured, interest free and repayable on demand.
- (iv) **Compensation of key management personnel**

The remuneration of directors and other member of key management during the Track Record Period was as follows:

	Year ended 31 March		Nine-month period ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Short-term benefits	2,812	3,098	2,288	2,725
Post-employments benefits	<u>71</u>	<u>80</u>	<u>58</u>	<u>63</u>
	<u>2,883</u>	<u>3,178</u>	<u>2,346</u>	<u>2,788</u>

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

### 30. RETIREMENT BENEFITS PLAN

#### Plans for Hong Kong employees

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

The total cost of HK\$530,000, HK\$590,000, HK\$455,000 (unaudited) and HK\$437,000 charged to profit or loss represents contributions paid or payable to the above schemes by the Group for each of the year ended 31 March 2014 and 31 March 2015 and each of the nine-month period ended 31 December 2014 and 31 December 2015 respectively.

### 31. MAJOR NON-CASH TRANSACTIONS

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

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

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

**(F) DIRECTORS' REMUNERATION**

Under the arrangement presently in force, each of the aggregate amount of directors' remuneration for the year ended 31 March 2016, excluding discretionary bonus is estimated to be nil.

**(G) EVENTS AFTER THE REPORTING PERIOD**

Pursuant to the written resolutions of the Company's shareholders dated 19 May 2016, (i) the authorised share capital of the Company was increased from HK\$390,000 to HK\$50,000,000 by the creation of an additional 4,961,000,000 shares of HK\$0.01 each to rank pari passu with the existing shares in all respects; (ii) conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the placing set out in the section headed "Share Capital" in the Prospectus, the directors of the Company are authorised to allot and issue a total of 779,999,900 shares, by way of capitalisation of the sum of approximately HK\$7,799,999 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company at the close of business on 19 May 2016, details are set out in Appendix VI to the Prospectus.

**(H) SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of the companies comprising the Group have been prepared in respect of any period subsequent to 31 December 2015.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set forth in this appendix does not form part of the accountants' report on the financial information for each of the two years ended 31 March 2015 and the nine-month period ended 31 December 2015 of the Group (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountants' Report set forth in Appendix I to this prospectus.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Placing on the audited consolidated net tangible assets of the Group as if the Placing had taken place on 31 December 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2015 or at any future dates following the Placing.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net assets of the Group as at 31 December 2015 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 31 December 2015 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Placing <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Placing Price of HK\$0.25 per Placing Share	20,874	51,968	72,842	0.07
Based on Placing Price of HK\$0.27 per Placing Share	20,874	56,908	77,782	0.07

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*Notes:*

1. The audited consolidated net tangible assets of the Group as at 31 December 2015 is based on the audited consolidated net assets of the Group amounted to HK\$20,874,000, extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on 260,000,000 Placing Shares to be issued at Placing Price range of HK\$0.25 and HK\$0.27 per Placing Share, respectively, after deduction of the estimated underwriting fees and other related expense (excluding approximately HK\$9,505,000 of listing expenses accounted for prior to 31 December 2015). It does not take into account any shares which may be allotted and issued or repurchase shares referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "Share capital" in this prospectus, as the case may be.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group is calculated based on 1,040,000,000 shares in issue immediately following the completion of the Placing and the Capitalisation Issue. It does not take into account any shares which may be allotted and issued or repurchase shares referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "Share capital" in this prospectus, as the case may be.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as of 31 December 2015 to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2015.

**B. UNAUDITED PRO FORMA ESTIMATED LOSS PER SHARE**

The following unaudited pro forma estimated loss per Share for the year ended 31 March 2016 has been prepared in accordance with Rule 7.31 of the GEM Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Placing, as if it had taken place on 1 April 2015. The unaudited pro forma estimated loss per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Placing.

Estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016 ( <i>Note 1</i> )	not more than HK\$2.5 million
Unaudited pro forma estimated loss for the year ended 31 March 2016 per Share ( <i>Note 2</i> )	not more than HK0.24 cent

*Notes:*

- (1) The estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016 is extracted from Appendix III to this prospectus. The bases on which the above loss estimate for the year ended 31 March 2016 has been prepared are summarised in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma estimated loss for the year ended 31 March 2016 per Share is based on the estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016 and on the assumption that a total of 1,040,000,000 shares were in issue during the year ended 31 March 2016 assuming that the Placing and Capitalisation Issue had been completed on 1 April 2015, without taking into account any shares which may be allotted and issued or repurchase shares referred to in the paragraph headed “General mandate to issue shares” or “General mandate to repurchase shares” under the section headed “Share capital” in this prospectus, as the case may be. The estimated consolidated loss attributable to owners of the Company for the year ended 31 March 2016 has not taken into account any interest income that would have been earned if the proceeds from the Placing had been received by the Company on 1 April 2015.

**C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.*



**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON  
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION  
INCLUDED IN A PROSPECTUS**

**To the Directors of MediNet Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of MediNet Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2015 and the unaudited pro forma estimated loss per share for the year ended 31 March 2016 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 24 May 2016 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of placing (the “Placing”) on the Group’s financial position as at 31 December 2015 and the Group’s loss per share for the year ended 31 March 2016 as if the Placing had taken place at 31 December 2015 and 1 April 2015, respectively. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for each of the two years ended 31 March 2015 and the nine-month period ended 31 December 2015, on which an accountants’ report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated loss of the Group attributable to owners of the Company for the year ended 31 March 2016, on which no auditor’s report or review report has been published.

**Directors’ Responsibilities for the Unaudited Pro Forma Financial Information**

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

### **Our Independence and Quality Control**

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

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

### **Reporting Accountants’ Responsibilities**

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 or 1 April 2015 would have been as presented.

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

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

24 May 2016

*The estimate of the consolidated loss of our Group for the year ended 31 March 2016 is set out in the section headed “Financial information — Loss estimate for the year ended 31 March 2016” in this prospectus.*

**A. LOSS ESTIMATE FOR THE YEAR ENDED 31 MARCH 2016**

The estimate of the consolidated loss of our Group for the year ended 31 March 2016 prepared by our Directors is based on (i) the audited consolidated results of our Group for the nine-month period ended 31 December 2015; (ii) the unaudited consolidated results of our Group based on our management accounts for the two-month period ended 29 February 2016; and (iii) an estimate of the consolidated results of our Group for the remaining one-month period ended 31 March 2016. The estimate has been prepared, in all material aspects, in accordance with the accounting policies consistent with those normally adopted by our Group as summarised in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

**Loss estimate for the year ended 31 March 2016**

**Estimate for the year ended  
31 March 2016**

Estimated consolidated loss attributable to owners of the  
Company

not more than HK\$2.5 million

*Note:* The estimated consolidated loss attributable to owners of the Company for year ended 31 March 2016 has taken into account of the expected listing expenses incurred during the year ended 31 March 2016 of approximately HK\$10.4 million.

**B. LETTER FROM THE REPORTING ACCOUNTANTS**

*The following in the text of a letter, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in relation to the Group's loss estimate for the year ended 31 March 2016.*

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

24 May 2016

The Board of Directors  
MediNet Group Limited  
7/F, KP Tower  
93 King's Road  
North Point  
Hong Kong

Messis Capital Limited  
Room 1606, 16th Floor, Tower 2  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

Dear Sirs,

MediNet Group Limited (“the Company”)

**Loss Estimate for Year Ended 31 March 2016**

We refer to the estimate of the consolidated loss of the Company and its subsidiaries (collectively referred to as “the Group”) attributable to owners of the Company for the year ended 31 March 2016 (“the Loss Estimate”) set forth in the section headed “Appendix III — Loss Estimate For The Year Ended 31 March 2016” in the prospectus of the Company dated 24 May 2016 (“the Prospectus”).

**Directors' Responsibilities**

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the nine-month period ended 31 December 2015, the unaudited consolidated results based on the management accounts of the Group for the two-month period ended 29 February 2016 and an estimate of the consolidated results of the Group for the remaining one-month period ended 31 March 2016.

The Company's directors are solely responsible for the Loss Estimate.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 24 May 2016, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

**C. LETTER FROM THE SPONSOR**

*The following is the text of a letter, prepared for inclusion in this prospectus, we have received from Messis Capital Limited, the Sponsor, in connection with the loss estimate of the consolidated loss attributable to owners of our Company for the year ended 31 March 2016.*



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

The Board of Directors  
**MediNet Group Limited**  
7/F, KP Tower  
93 King's Road  
North Point, Hong Kong

24 May 2016

Dear Sirs,

We refer to the estimate of the consolidated loss of MediNet Group Limited (the “**Company**”, together with its subsidiaries, hereinafter collectively referred to as the “**Group**”) for the year ended 31 March 2016 (the “**Loss Estimate**”) as set out in the prospectus issued by the Company dated 24 May 2016 (the “**Prospectus**”).

The Loss Estimate, for which the Directors are solely responsible, has been prepared by the Directors, based on the audited consolidated results for the nine months ended 31 December 2015, the unaudited consolidated results of the Group based on the management accounts for the two months ended 29 February 2016 and an estimate of the results of the Group for the remaining one month ended 31 March 2016.

We have discussed with you the bases upon which the Loss Estimate has been made. We have also considered the letter dated 24 May 2016 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Loss Estimate as been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Loss Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of  
**Messis Capital Limited**  
**Thomas Lai**  
*Chief Executive Officer*

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent property valuer, in connection with the valuation as at 15 October 2015 and 31 March 2016 of the Property.*



**Asset Appraisal Limited**  
**中誠達資產評值顧問有限公司**

Rm 901, 9/F., On Hong Commercial Building  
145 Hennessy Road, Wanchai, Hong Kong  
香港灣仔軒尼詩道145號安康商業大廈9字樓901室  
Tel : (852) 2529 9448 Fax : (852) 3521 9591

24 May 2016

**The Board of Directors**  
**MediNet Group Limited**

Dear Sirs,

**House No. 57 Cedar Drive (Also Known as House A49)**  
**The Redhill Peninsula, Site D,**  
**No.18 Pak Pat Shan Road,**  
**Hong Kong.**

In accordance with the instructions of **MediNet Group Limited** (the “**Company**”) to value the captioned property interests (the “**Property**”) situated in Hong Kong, we confirm that we have carried out inspection of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at **15 October 2015** and **31 March 2016** (the “**dates of valuation**”).

#### **BASIS OF VALUATION**

Our valuation of the Property represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the dates of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

#### **TITLESHIP**

We have been provided with copies of legal documents regarding the Property. However, we have not verified ownership of the Property and the existence of any encumbrances that would affect their ownership.

#### **VALUATION METHODOLOGY**

We have valued the Property by the comparison method where comparison based on prices realised or market prices of comparable property is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

**ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells its interests in the Property on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Property.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

**LIMITING CONDITIONS**

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property valued nor for any expenses or taxation. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The property was last inspected on 10 November 2015 by TSE Wai Leung, who is a member of The Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment. In comparison with the registered floor plan of the Property, various unauthorized building works with a total area of approximately 215 square feet were found erected on private garden on Living Room Level, balcony on Master Bedroom Level and Roof Level of the Property. In course of our valuation, we have disregarded any enhancement or adverse effect from those unauthorized building works on market value of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Property, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

We have valued the Property in Hong Kong dollars (HK\$).

Our valuation certificate is attached herewith.

Yours faithfully,  
For and on behalf of  
**Asset Appraisal Limited**

**Tse Wai Leung**

*MFin BSc MRICS MHKIS RPS(GP)*

*Director*

*Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.*

## VALUATION CERTIFICATE

## Property held and occupied by the owner

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2016
House No. 57 Cedar Drive (also known as House A49), The Redhill Peninsula, Site D, No. 18 Pak Pat Shan Road, Hong Kong	The Property comprises a partially 5-storey townhouse (inclusive of the entrance and car parking level) of reinforcement concrete completed in about 1990.	As confirmed by the Company, the Property was occupied by the owner as at the dates of valuation.	HK\$75,000,000.
60/9100th shares of and in Section A of Rural Building Lot No. 1050.	The Property has a saleable area of approximately 2,901 square feet plus flat roof area of 828 square feet and garden area of 387 square feet.		Market Value in existing state as at 15 October 2015 HK\$83,500,000.
	The Property is held under Conditions of Sale No. 11461 for a term of 75 years and renewable for another 75 years commencing on 2 January 1981.		

## Notes:

- The registered owner of the Property is Medinet Dental Services Limited registered via memorial nos. 15110301100086 dated 15 October 2015.
- Principal Deed of Mutual Covenant of the subject development was registered via memorial no. UB4579713 dated 28 September 1990.
- Sub-Deed of Mutual Covenant of the subject development was registered via memorial no. UB4579714 dated 28 September 1990.
- Occupation Permit No. H124/90 of the subject development was registered via memorial no. UB4750109 dated 23 November 1990.
- The Property is subject to a mortgage in favour of Nanyang Commercial Bank Limited for all Moneys registered via memorial no. 15110301100092 dated 15 October 2015.
- The Property is subject to another mortgage in favour of Nanyang Commercial Bank Limited for all Moneys registered via memorial no. 16022901010073 dated 1 February 2016.
- The Property falls within an area zoned "Residential (C) 2" under Tai Tam & Shek O Outline Zoning Plan No. S/H18/10 dated 16 May 2008.
- As per our inspection on 10 November 2015, various unauthorized building works with a total area of approximately 215 square feet were found erected on private garden on Living Room Level, balcony on Master Bedroom Level and Roof Level of the Property. In course of our valuation, we have disregarded any enhancement effect or adverse effect from those unauthorized building works on the Property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 August 2015 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 19 May 2016 with effect from Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Directors

#### (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

*(v) Financial assistance to purchase shares of the Company or its subsidiaries*

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

*(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

*(vii) Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes)

and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(viii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the

members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ix) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(xi) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder

but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers;
  - (ee) the fixing of the remuneration of the directors and of the auditors;
  - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
  - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers. The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the

Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the

same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the

Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and

repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the

manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the

company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 8 September 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall

make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims,

discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 August 2015. Our Company's registered office is at the offices of Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established its principal place of business in Hong Kong at 7/F, KP Tower, 93 King's Road, North Point, Hong Kong, and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 5 November 2015. In connection with such registration, Mr. Chan has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

**2. Changes in share capital of our Company**

The authorised share capital of our Company as at the date of its incorporation was HK\$390,000 divided into 39,000,000 Shares. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

- (a) on 20 August 2015, one Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred to Medinet International on the same date at HK\$0.01;
- (b) on 11 November 2015, our Company, Medinet International and NSD Capital entered into an agreement for sale and purchase of shares in MediNet BVI pursuant to which our Company acquired the entire issued share capital of MediNet BVI from Medinet International and NSD Capital, in consideration of HK\$66,261,000, which was satisfied by our Company allotting and issuing 74 and 25 new Shares, credited as fully paid, to Medinet International and NSD Capital respectively;
- (c) pursuant to the written resolutions of the Shareholders dated 19 May 2016, the authorised share capital of our Company was increased from HK\$390,000 to HK\$50,000,000 by the creation of an additional 4,961,000,000 Shares; and
- (d) immediately following completion of the Capitalisation Issue and the Placing, the authorised share capital of our Company will be HK\$50,000,000 divided into 5,000,000,000 Shares and the issued share capital of our Company will be HK\$10,400,000 divided into 1,040,000,000 Shares, all fully paid or credited as fully paid and 3,960,000,000 Shares will remain unissued.

Save as aforesaid and as mentioned in the section headed “*Share capital*” in this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

There is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in the general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

### **3. Written resolutions of the Shareholders dated 19 May 2016**

Pursuant to the written resolutions of the Shareholders dated 19 May 2016:

- (a) our Company approved and adopted the Memorandum with immediate effect and the Articles with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$390,000 to HK\$50,000,000 by the creation of an additional 4,961,000,000 Shares to rank *pari passu* with the existing Shares in all respects;
- (c) conditional on (A) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Placing and the Capitalisation Issue); and (B) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreement:
  - (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares subject to the terms and conditions stated in this prospectus;
  - (ii) conditional upon the share premium account of our Company being credited as a result of the Placing, an amount of HK\$7,799,999 which will then be standing to the credit of the share premium account of our Company be capitalised and applied to pay up in full at par a total of 779,999,900 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 19 May 2016 in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in our Company, and our Directors were authorised to give effect to the Capitalisation Issue and such distribution and the Shares to be allotted and issued shall, save for the entitlements to the Capitalisation Issue, rank *pari passu* in all respects with all the then existing Shares;
  - (iii) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or part of any dividend on Shares in accordance with the Articles of Association or under the Capitalisation Issue or the Placing) unissued Shares of not exceeding 20% of the number of Shares in issue immediately following completion of the

Capitalisation Issue and the Placing until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest;

- (iv) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares of not exceeding 10% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Placing, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest; and
- (v) conditional on the passing of the resolutions referred to in sub-paragraphs (iii) and (iv) above, the general unconditional mandate mentioned in sub-paragraph (iii) above was extended by the addition of the number of Shares which may be allotted, issued or dealt with by our Directors pursuant to such general unconditional mandate of an amount representing the number of the Shares repurchased by our Company pursuant to the Repurchase Mandate referred to in sub-paragraph (iv) above.

#### 4. Reorganisation

The companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

- (i) on 12 August 2015, MediNet BVI was incorporated in the BVI with limited liability. It has issued 600 shares of par value of US\$1.00 each, credited as fully paid, to Medinet International;
- (ii) on 20 August 2015, our Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, our Company had an authorised share capital of HK\$390,000 divided into 39,000,000 Shares, of which one Share was allotted and issued to the initial subscriber, which was transferred to Medinet International on the same date at HK\$0.01;
- (iii) on 28 August 2015, MediNet BVI entered into an agreement for sale and purchase of shares in MediNet Health Centre with MediNet Holdings and Mr. Chan, to acquire the entire issued share capital of MediNet Health Centre from MediNet Holdings and Mr. Chan, in the consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully

- paid. In consideration of MediNet Holdings and Mr. Chan nominating Medinet International to hold 100 shares of MediNet BVI, Medinet International allotted and issued one share of Medinet International to Mr. Chan;
- (iv) on 28 August 2015, MediNet BVI entered into an agreement for sale and purchase of shares in MediNet Services with MediNet Holdings and Mr. Chan, to acquire the entire issued share capital of MediNet Services from MediNet Holdings and Mr. Chan, in the consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid. In consideration of MediNet Holdings and Mr. Chan nominating Medinet International to hold 100 shares of MediNet BVI, Medinet International allotted and issued one share of Medinet International to Mr. Chan;
- (v) on 28 August 2015, MediNet BVI entered into an agreement for sale and purchase of shares in Well Being Dental with MediNet Holdings and Mr. Chan, to acquire the entire issued share capital of Well Being Dental from MediNet Holdings and Mr. Chan, in the consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid. In consideration of MediNet Holdings and Mr. Chan nominating Medinet International to hold 100 shares of MediNet BVI, Medinet International allotted and issued one share of Medinet International to Mr. Chan;
- (vi) on 28 August 2015, MediNet BVI entered into an agreement for sale and purchase of shares in Men's Health Solutions with Mr. Chan, to acquire the entire issued share capital of Men's Health Solutions from Mr. Chan, in the consideration of MediNet BVI allotting and issuing 100 shares of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid. In consideration of Mr. Chan nominating Medinet International to hold 100 shares of MediNet BVI, Medinet International allotted and issued one share of Medinet International to Mr. Chan;
- (vii) on 28 October 2015, NSD Capital, Medinet International and Mr. Chan entered into an agreement for sale and purchase of shares in MediNet BVI pursuant to which NSD Capital acquired 250 shares of MediNet BVI from Medinet International for a total consideration of HK\$45,000,000;
- (viii) on 11 November 2015, our Company entered into an agreement for sale and purchase of shares in MediNet BVI with Medinet International and NSD Capital, to acquire the entire issued share capital of MediNet BVI from Medinet International and NSD Capital, in consideration of our Company allotting and issuing 74 and 25 new Shares to Medinet International and NSD Capital respectively, all credited as fully paid; and
- (ix) on 19 May 2016, the authorised share capital of our Company was increased from HK\$390,000 to HK\$50,000,000 by the creation of an additional 4,961,000,000 Shares to rank pari passu with the existing Shares in all respects.

## 5. Changes in share capital of subsidiaries of our Company

The subsidiaries of our Company are listed in the paragraph headed “A. *Further information about our Group — Particulars of the subsidiaries*” in this appendix.

The following alterations in the share capital of the subsidiaries of our Company have taken place within two years immediately preceding the date of this prospectus:

- (i) on 12 August 2015, MediNet BVI was incorporated in the BVI with limited liability. It has issued 600 shares of par value of US\$1.00 each, credited as fully paid to Medinet International;
- (ii) on 28 August 2015, MediNet BVI entered into an agreement for sale and purchase of shares in MediNet Health Centre with MediNet Holdings and Mr. Chan, to acquire the entire issued share capital of MediNet Health Centre from MediNet Holdings and Mr. Chan, in the consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid;
- (iii) on 28 August 2015, MediNet BVI entered into an agreement for sale and purchase of shares in MediNet Services with MediNet Holdings and Mr. Chan, to acquire the entire issued share capital of MediNet Services from MediNet Holdings and Mr. Chan, in the consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid;
- (iv) on 28 August 2015, MediNet BVI entered into an agreement for sale and purchase of shares in Well Being Dental with MediNet Holdings and Mr. Chan, to acquire the entire issued share capital of Well Being Dental from MediNet Holdings and Mr. Chan, in the consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid;
- (v) on 28 August 2015, MediNet BVI entered into an agreement for sale and purchase of shares in Men’s Health Solutions with Mr. Chan, to acquire the entire issued share capital of Men’s Health Solutions from Mr. Chan, in the consideration of MediNet BVI allotting and issuing 100 shares of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid.

Save as disclosed above and in the section headed “*History and development*” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase by our Company of Shares

This paragraph includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### *(a) Relevant legal and regulatory requirements*

The GEM Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase Shares that are listed on GEM subject to certain restrictions, details of which are summarised below:

#### *(i) Shareholders' approval*

All proposed repurchase of Shares (which must be fully paid up) by a company listed on GEM must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

The Repurchase Mandate was granted to our Directors by our Shareholders pursuant to written resolutions of the Shareholders dated 19 May 2016 authorising them to exercise all powers of our Company to repurchase Shares with an aggregate nominal amount of not exceeding 10% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Placing until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

#### *(ii) Source of funds*

Repurchase must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the GEM Listing Rules. Under the Cayman Islands law, any repurchase of Shares by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

*(iii) Trading restrictions*

Our Company may repurchase up to 10% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Placing. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on GEM if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

In addition, a listed company is prohibited from repurchasing its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

*(iv) Status of Shares repurchased*

All Shares repurchased (whether on GEM or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares repurchased may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

*(v) Suspension of repurchase*

Repurchase of Shares are prohibited after inside information has come to our Company's knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, our Company may not repurchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of Shares on GEM if our Company has breached the GEM Listing Rules.

*(vi) Reporting requirements*

Certain information relating to repurchase of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Business Day following any day on which our Company makes a repurchase of Shares. In addition, our Company's annual report and accounts are required to disclose details regarding repurchase of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on GEM or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchase, where relevant, and the aggregate price paid. The directors' report is also required to contain reference to the repurchase made during the year and the directors' reasons for making such repurchase.

*(vii) Core connected persons*

According to the GEM Listing Rules, a company is prohibited from knowingly repurchasing securities on GEM from a "core connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their associates and a core connected person shall not knowingly sell his/her/its securities to the company on GEM.

***(b) Reasons for repurchase***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made when our Directors believe that such repurchase will benefit our Company and our Shareholders.

***(c) Funding of repurchase***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate is to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

*(d) General*

The exercise in full of the Repurchase Mandate, on the basis of 1,040,000,000 Shares in issue as enlarged immediately after completion of the Capitalisation Issue and the Placing, would result in up to 104,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase pursuant to the Repurchase Mandate immediately after the listing of Shares on GEM.

No core connected person has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

**7. Particulars of the subsidiaries**

As at the Latest Practicable Date, our Group has five subsidiaries, namely MediNet BVI, MediNet Health Centre, MediNet Services, Well Being Dental and Men's Health Solutions. Set out below is a summary of the corporate information of MediNet BVI, MediNet Health Centre, MediNet Services, Well Being Dental and Men's Health Solutions:

*(a) MediNet BVI*

Date of incorporation	:	12 August 2015
Registered Office	:	P.O. Box 957 Offshore Incorporations Centre Road Town Tortola, British Virgin Islands
Nature	:	Limited liability company
Principle business activities	:	Investment holding
Issued shares	:	US\$1,000
Shareholder	:	Our Company

*(b) MediNet Health Centre*

Date of incorporation	:	9 December 1998
Registered Office	:	7/F, KP Tower 93 King's Road North Point, Hong Kong
Nature	:	Limited liability company
Principle business activities	:	Operation of health centres (in relation to general practitioner consultation services offered by doctors engaged by our Group)
Issued share capital	:	HK\$500,000
Paid up share capital	:	HK\$500,000
Shareholder	:	MediNet BVI

*(c) MediNet Services*

Date of incorporation	:	29 March 1994
Registered Office	:	7/F, KP Tower 93 King's Road North Point, Hong Kong
Nature	:	Limited liability company
Principle business activities	:	Provision of medical solutions services to contract customers (mainly comprising insurance companies and corporations) through the administration of medical benefits plans
Issued share capital	:	HK\$10,000,000
Paid up share capital	:	HK\$10,000,000
Shareholder	:	MediNet BVI

*(d) Well Being Dental*

Date of incorporation	:	22 December 1994
Registered Office	:	7/F, KP Tower 93 King's Road North Point, Hong Kong
Nature	:	Limited liability company
Principle business activities	:	Provision of dental solutions services to contract customers (mainly comprising insurance companies, corporations and individuals) through the administration of dental benefits plans as well as the operation of dental clinics offering dental services
Issued share capital	:	HK\$10,000,000
Paid up share capital	:	HK\$10,000,000
Shareholder	:	MediNet BVI

*(e) Men's Health Solutions*

Date of incorporation	: 20 October 2003
Registered Office	: 7/F, KP Tower 93 King's Road North Point, Hong Kong
Nature	: Limited liability company
Principle business activities	: Operation of health centres (in relation to men's health treatments offered by doctors engaged by our Group)
Issued share capital	: HK\$10,000
Paid up share capital	: HK\$10,000
Shareholder	: MediNet BVI

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus, and are or may be material:

- (a) the agreement for sale and purchase dated 12 August 2015 and entered into between Well Being Dental and Medinet Dental Services Limited pursuant to which Well Being Dental agreed to sell and Medinet Dental Services Limited agreed to purchase a residential property situated at House 57, Cedar Drive, Redhill Peninsula, Tai Tam, Hong Kong in the consideration of HK\$83,500,000;
- (b) the agreement for sale and purchase of shares in MediNet Health Centre dated 28 August 2015 and entered into among MediNet BVI, MediNet Holdings and Mr. Chan, pursuant to which MediNet BVI agreed to acquire the entire issued shareholding interests in MediNet Health Centre from MediNet Holdings and Mr. Chan in the consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid;
- (c) the agreement for sale and purchase of shares in MediNet Services dated 28 August 2015 and entered into among MediNet BVI, MediNet Holdings and Mr. Chan, pursuant to which MediNet BVI agreed to acquire the entire issued shareholding interests in MediNet Services from MediNet Holdings and Mr. Chan in the consideration of MediNet BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid;
- (d) the agreement for sale and purchase of shares in Well Being Dental dated 28 August 2015 and entered into among MediNet BVI, MediNet Holdings and Mr. Chan, pursuant to which MediNet BVI agreed to acquire the entire issued shareholding interests in Well Being Dental from MediNet Holdings and Mr. Chan in the consideration of MediNet

BVI allotting and issuing 99 shares of MediNet BVI to Medinet International (as a nominee of MediNet Holdings) and one share of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid;

- (e) the agreement for sale and purchase of shares in Men's Health Solutions dated 28 August 2015 and entered into between MediNet BVI and Mr. Chan, pursuant to which MediNet BVI agreed to acquire the entire issued shareholding interests in Men's Health Solutions from Mr. Chan in the consideration of MediNet BVI allotting and issuing 100 shares of MediNet BVI to Medinet International (as a nominee of Mr. Chan), all credited as fully paid;
- (f) the agreement for sale and purchase of shares in MediNet BVI dated 11 November 2015 and entered into among Medinet International, NSD Capital and our Company, pursuant to which our Company agreed to acquire the entire issued shareholding interests in MediNet BVI from Medinet International and NSD Capital in the consideration of HK\$66,261,000, which was satisfied by the allotment and issue of 74 and 25 Shares to Medinet International and NSD Capital respectively, all credited as fully paid;
- (g) the Deed of Indemnity;
- (h) the Deed of Non-competition; and
- (i) the Underwriting Agreement.

## 2. Intellectual property rights

### (a) Trademarks

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which had not been granted:

Trademark	Applicant	Class	Place of Registration	Trademark application number	Application date
	Our Company	10 and 44 <i>Note (1)</i>	Hong Kong	303609856	26 November 2015
	MediNet Health Centre	10 and 44 <i>Note (1)</i>	Hong Kong	303609874	26 November 2015
	MediNet Services	10 and 44 <i>Note (1)</i>	Hong Kong	303609865	26 November 2015
	Men's Health Solutions	10 and 44 <i>Note (1)</i>	Hong Kong	303609847	26 November 2015
	Well Being Dental	10 and 44 <i>Note (2)</i>	Hong Kong	303776202	16 May 2016

*Notes:*

- (1) Class 10: Surgical, medical and dental apparatus and instruments.
- Class 44: Health care and medical services, beauty care, surgical services, plastic surgery, physicians' services.
- (2) Class 10: Surgical, medical and dental apparatus and instruments; artificial teeth; orthopaedic articles.
- Class 44: Surgical, medical and dental services; health and beauty care services; plastic surgeries; cosmetics services; physicians' services.

*(b) Domain Names*

As at the Latest Practicable Date, our Group had registered the following domain names:

<b>Domain name</b>	<b>Registered owner</b>	<b>Registration date</b>	<b>Expiry date</b>
MedinetGroup.com	Our Company	5 November 2015	5 November 2016
medinet.com.hk	MediNet Services	29 October 1998	6 June 2018
mhs.hk	Men's Health Solutions	19 October 2005	20 October 2016
WbsBeauty.com	Well Being Dental	9 March 2013	8 March 2017
wellbeing.com.hk	Well Being Dental	21 June 1999	Null

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF, EXPERTS AND SUBSTANTIAL SHAREHOLDERS**

**1. Interests and short positions of Directors and the chief executives of our Company in the Shares, underlying shares or debentures of our Company and its associated corporations**

Immediately following completion of the Capitalisation Issue and the Placing, the interests and short positions of each of our Directors or chief executive of our Company in the Shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which once the Shares are listed, will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

*(a) Long position in our Shares*

<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held (Note 1)</b>	<b>Percentage of issued share capital</b>
Mr. Chan	Interest of a controlled corporation (Note 2)	585,000,000 (L)	56.25%
Ms. Jiang	Interest of spouse (Note 3)	585,000,000 (L)	56.25%

*Notes:*

- The letter "L" denotes to the long position in the Shares.
- The entire issued share capital of Medinet International is legally and beneficially owned by Mr. Chan. Mr. Chan is deemed to be interested in the Shares in which Medinet International is interested under Part XV of the SFO.
- Ms. Jiang is the spouse of Mr. Chan. Ms. Jiang is deemed to be interested in all the Shares in which Mr. Chan is deemed to be interested under Part XV of the SFO.

*(b) Long position in the shares of associated corporations*

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

*Notes:*

1. The letter “L” denotes to the long position in the Shares.
2. The entire issued share capital of Medinet International is legally and beneficially owned by Mr. Chan.
3. Ms. Jiang is the spouse of Mr. Chan. Ms. Jiang is deemed to be interested in all the shares in which Mr. Chan is interested under Part XV of the SFO.

## 2. Interests and/or short positions of Substantial Shareholders in the Shares and underlying shares of our Company and its associated corporations

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Placing, the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the Shares carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

*Long position in our Shares*

Name	Capacity/ Nature of interest	Number of Shares held <i>(Note 1)</i>	Percentage of issued share capital
Medinet International	Beneficial owner <i>(Note 2)</i>	585,000,000 (L)	56.25%
NSD Capital	Beneficial owner <i>(Note 3)</i>	195,000,000 (L)	18.75%
Convoy Fund Management Limited (formerly known as DRL Capital Investment Management Limited) (“CFM”)	Interest of a controlled corporation <i>(Note 3)</i>	195,000,000 (L)	18.75%
Convoy Financial Holdings Limited (“Convoy Financial”)	Interest of a controlled corporation <i>(Note 3)</i>	195,000,000 (L)	18.75%

*Notes:*

1. The letter “L” denotes to the long position in the Shares.
2. The entire issued share capital of Medinet International is legally and beneficially owned by Mr. Chan. Mr. Chan is deemed to be interested in the Shares in which Medinet International is interested in under Part XV of the SFO.
3. NSD Capital is an exempted company incorporated in the Cayman Islands with limited liability, the management shares of which are wholly-owned by CFM, a wholly-owned subsidiary of Convoy Financial (a company listed on the Main Board of the Stock Exchange (stock code: 1019)). Therefore, each of CFM and Convoy Financial is deemed to be interested in the Shares held by NSD Capital under the SFO.

### 3. Particulars of service contracts

Each of Mr. Chan and Ms. Jiang, all being our executive Directors, has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to a basic salary set out below (subject to an annual increment, which will be made one year after the commencement date of the service contract at the discretion of our Directors, of not more than 10% of the annual salary immediately prior to such increase).

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 the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Each of the above remunerations is determined by our Company with reference to duties and level of responsibilities of each Director and the remuneration policy of our Company and the prevailing market conditions.

### 4. Directors' emoluments

- (i) For each of the FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were nil.
- (ii) Under the arrangements currently in force, the aggregate emoluments paid by our Group to and benefits in kind received by our Directors for the year ended 31 March 2016 were nil.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 (a) as an inducement to join or upon joining our Company or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) Save as disclosed in the sections headed "*Directors and senior management*" and "*Financial information*" in this prospectus, there has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

<b>Executive Directors</b>	<i>HK\$</i>
Mr. Chan	180,000
Ms. Jiang	180,000
<b>Independent non-executive Directors</b>	<i>HK\$</i>
Dr. Lieu Geoffrey Sek Yiu	180,000
Mr. Leung Po Hon	180,000
Mr. Wong Wai Leung	180,000

- (v) Each of our executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his/her duties to our Group under his/her service contract.

#### **5. Agency fees or commissions received**

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries.

#### **6. Related party transactions**

Save as disclosed in note 29 to the Accountants' Report set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material related party transactions.

#### **7. Disclaimers**

Save as disclosed in this prospectus:

- (i) our Directors are not aware of any person who immediately following the completion of the Capitalisation Issue and the Placing will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the Shares carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group;

- (ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken or deemed to have taken under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the Shares, underlying shares, and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the section headed “*Other information — Qualifications of experts*” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the Placing Shares either in his own name or in the name of a nominee;
- (iv) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in the section headed “*Other information — Qualifications of experts*” in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

## D. OTHER INFORMATION

### 1. Tax and other indemnities

Each of the Controlling Shareholders (collectively, the “**Indemnifiers**”) and our Company entered into the Deed of Indemnity referred to in the paragraph headed “*Further information about the business of our Group — Summary of material contracts*” in this appendix, under which the Indemnifiers have given joint and several indemnities in favour of our Group in respect of, among other things, the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply:

- (i) to the extent that full provision or reserve has been made for such taxation in the audited accounts of our Group or the audited accounts of the relevant member of our Group for each of the FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015, as set out in Appendix I to this prospectus; or

- (ii) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day operations of that company or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date;
- (iii) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group for each of the FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (iv) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong, the taxation authority of any other relevant authority (whether in Hong Kong or any part of the world) coming into force after the Listing Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Group whereby they would jointly and severally indemnify each member of our Group against, among others, all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group (i) as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations of any jurisdiction by any member of our Group on or before the Listing Date; (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) any member of our Group and/or their respective directors or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, our Group or any member of our Group (whether alone or in conjunction with some other act, omission or transaction) on or before the Listing Date.

The indemnity contained above shall not apply to the extent that provision has been made for such claim in the audited accounts of our Group or the audited accounts of any member of our Group for each of the FY2013/14, FY2014/15 and the nine-month period ended 31 December 2015. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong and other jurisdictions in which the companies comprising our Group are incorporated.

## 2. Litigation

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

## 3. Sponsor

The Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

The Sponsor satisfies the independence criteria applicable to sponsors under Rule 6A.07 of the GEM Listing Rules. The Sponsor is entitled to a sponsor's fee in the amount of HK\$4,800,000.

## 4. Preliminary expenses

The preliminary expenses of our Company in relation to the Placing are approximately US\$6,000 and are payable by our Company.

## 5. Promoter

- (a) Our Company has no promoter for the purpose of the GEM Listing Rules.
- (b) Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter above in connection with the Placing or the related transactions described in this prospectus.

## 6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<b>Name</b>	<b>Qualifications</b>
Asset Appraisal Limited	Property valuer
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Deloitte Touche Tohmatsu	Certified Public Accountants
Dr. William M.F. Wong, S.C.	A barrister-at-law in Hong Kong
Messis Capital Limited	Licensed corporation holding a licence to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Michael Li & Co.	Legal advisers as to Hong Kong law

**7. Consents of experts**

Each of the experts named in the paragraph headed “*Other information — Qualifications of experts*” in this appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with copies of its reports and/or letters and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed “*Other information — Qualifications of experts*” in this appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company will appoint the Sponsor as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

**10. Share registrars**

Our Company’s principal register of members will be maintained in the Cayman Islands by our Cayman Islands share registrar, Codan Trust Company (Cayman) Limited, and a register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

**11. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

**12. Miscellaneous**

1. Save as disclosed in this prospectus:
  - (a) within the two years immediately preceding the date of this prospectus:
    - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
    - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
  - (b) no share, warrant or loan capital of Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (c) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
  - (d) our Company has no outstanding convertible debt securities;
  - (e) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares or management shares or deferred shares or any debentures;
  - (f) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
  - (g) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2015 (being the date to which the latest audited combined financial statements of our Group were made up);
  - (h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus; and
  - (i) none of the experts listed in the sub-section headed “*Other information — Qualifications of experts*” in this appendix:
    - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
    - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

2. (a) There are no arrangements under which future dividends are waived or agreed to be waived.
- (b) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing of or permission to deal in the equity and debt securities of our Company being or proposed to be sought.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the section headed “*Other information — Consents of experts*” in Appendix VI to this prospectus and copies of the material contracts referred to in the sub-section headed “*Further information about the business of our Group — Summary of material contracts*” in Appendix VI to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Michael Li & Co., at 19/F, Prosperity Tower, No. 39 Queen’s Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the legal opinions of Senior Counsel (Dr. William M. F. Wong);
- (c) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (d) the audited consolidated financial statements of our Group for the two years ended 31 March 2015 and the nine-month period ended 31 December 2015;
- (e) the letter on unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (f) the letter on loss estimate for the year ended 31 March 2016 of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III of this prospectus;
- (g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix V to this prospectus;
- (h) the Companies Law;
- (i) the material contracts referred to in the paragraph headed “*Further information about the business of our Group — Summary of material contracts*” in Appendix VI to this prospectus;
- (j) the service contracts and letters of appointment referred to in the paragraph headed “*Further information about our Directors, management, staff, experts and Substantial Shareholders — Particulars of service contracts*” in Appendix VI to this prospectus;
- (k) the written consents referred to in the paragraph headed “*Other information — Consents of experts*” in Appendix VI to this prospectus; and
- (l) the letter and summary of valuation, the texts of which are set out in Appendix IV, and a valuation certificate, all of which are prepared by Asset Appraisal Limited.

MediNet Group Limited  
醫匯集團有限公司