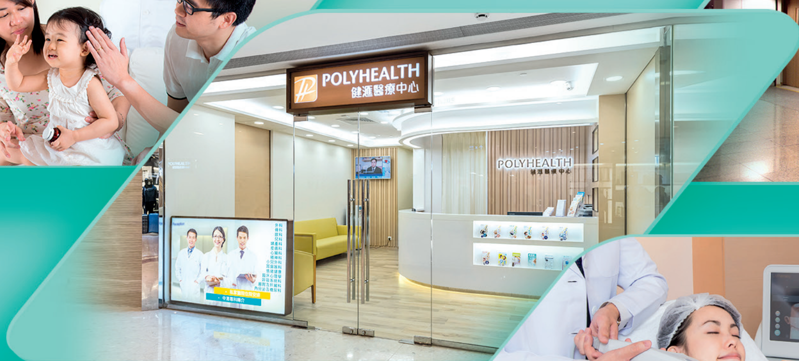
盈健醫療
HUMAN HEALTH

Human Health Holdings Limited
盈健醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1419

Annual Report 2017

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In case of any inconsistency, the English text of this annual report shall prevail over the Chinese text.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chan Kin Ping
(Chairman and Chief Executive Officer)
Dr. Pang Lai Sheung
Ms. Sat Chui Wan
Mr. Poon Chun Pong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

AUDIT COMMITTEE

Mr. Sin Kar Tim *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael

REMUNERATION COMMITTEE

Dr. Lui Sun Wing *(Chairman)*
Mr. Chan Kin Ping
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

NOMINATION COMMITTEE

Mr. Chan Yue Kwong Michael *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Kin Ping
Mr. Sin Kar Tim

COMPANY SECRETARY

Ms. Man Ching Yan, *CFA ACIS ACS*

AUTHORISED REPRESENTATIVES

Ms. Sat Chui Wan
Ms. Man Ching Yan

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F., TAL Building
45-53 Austin Road
Tsim Sha Tsui
Kowloon, Hong Kong

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Howse Williams Bowers
27th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

COMPLIANCE ADVISER

BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Central, Hong Kong

AUDITOR

Ernst & Young, Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road, Central
Hong Kong

WEBSITE

www.humanhealth.com.hk

SHARE INFORMATION

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	01419
Listing date:	1 April 2016
Board lot:	2,000 ordinary shares
Financial year end:	30 June

Chairman's Statement

Mr. Chan Kin Ping
Chairman and CEO

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Human Health Holdings Limited ("**Human Health**" or the "**Company**") and its subsidiaries (collectively the "**Group**", "**we**" or "**our**"), I am pleased to present the annual report of the Group for the year ended 30 June 2017 ("**FY2017**").

Since the listing of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 April 2016 (the "**Listing**"), we have continued to accomplish our business goals based on our expansion blueprints and take on challenges. Adhering to our development direction, we continued to intensify and expand our business scope and our network in Hong Kong and established foothold in the People's Republic of China (the "**PRC**"), so as to provide comprehensive, one-stop and quality healthcare services to the public and in turn boost our market share and revenue base.

CONTINUOUS EXPANSION IN HONG KONG AND THE PRC

With Hong Kong people becoming increasingly health conscious plus the tight supply of hence long waiting time for public healthcare service, private healthcare providers are assuming a more important role in guarding Hong Kong people's health. As a leading private integrated healthcare services provider in Hong Kong, the Group has strived to enhance its strategic network that affords long service hours to meet the strong demand of local residents.

During FY2017, the Group established several medical centres in core districts in Hong Kong, which have not only given it an expanded medical service network, but also a stronger service portfolio with preventive and life-enriching wellness services added to cater for different customer needs. It is worthy to note that, the Group completed the acquisition of We Health International Limited in February 2017, which has enabled it to expand its specialties services to cover medical imaging and endoscopy services and taking it ever closer to operating an all-round integrated medical services network to serve the Hong Kong community.

As for business expansion in the PRC during FY2017, we made significant progress in tapping the market - our first flagship integrated medical centre in Shanghai opened in December 2016, marking a major milestone of the Group's development in the country.

TRANSITION FOLLOWING BUSINESS EXPANSION AND PROSPECTS

Although our strategic expansion plans had temporary impact on our financial performance, they are part of our long term commitment to growth and development. As always, Human Health will strive to strengthen its market position, keep optimizing its integrated medical service network in Hong Kong in depth and breadth and, at the same time, replicate its successful business model in Hong Kong into the PRC market for capturing the huge opportunities arising from medical reformation in the PRC. In addition to cementing its business foundation, the Group is exploring various investment and acquisition opportunities that can potentially bring the best returns to the Group and its shareholders (the "**Shareholders**").

With our strong customer base and in-depth understanding of the healthcare needs in the region, Human Health has the ability to provide comprehensive and quality medical services that can meet customers' growing demand for efficient and convenient healthcare services, and in doing so, fortifying our leadership in the industry. The year ahead holds much promise for the Group and we would like to assure you that we will continue to provide high quality healthcare services to customers and focus on creating value for the Shareholders.

Chairman's Statement

BUILDING A SUSTAINABLE FUTURE

Taken root in Hong Kong for 20 years, Human Health is always concerned about social changes and serving the community. This is the first year the Group presents an environmental, social and governance report (the "**ESG Report**") which is set out on pages 55 to 65 of this annual report. The ESG Report will allow the public to have a thorough understanding of the Group's culture and long-term commitment to contributing to the sustainability of the environment and community. The Group will continue to heed its responsibility to protect the environment, help the communities in which it operates to develop and serve the healthcare needs of the public, living its "From Our Heart • For Your Health" (仁心•稱心) corporate culture.

DIVIDENDS

To thank our Shareholders for their loyalty and support, the Board has recommended payment of a final dividend of HK2 cents per Share for FY2017, subject to the approval of the Shareholders in the annual general meeting of the Company to be held on 30 November 2017 (the "**AGM**").

APPRECIATION

I wish to take this opportunity to express my gratitude to all our Directors, senior management, professional team and employees for their diligence and dedication over the past year. Human Health also wishes to thank all business partners and the Shareholders for their commitment and support.

Chan Kin Ping
Chairman and Chief Executive Officer

Hong Kong, 27 September 2017

FINANCIAL REVIEW

Financial Review for FY2017

Revenue

Our revenue represents the value of medical and dental services and comprises revenue from general practice services, specialties services and dental services. The following table sets forth the breakdown of our revenue by service type:

	FY2017	FY2016	% of change
	HK$'000	*HK$'000*	
		(Restated)	
General practice services	**319,788**	342,187	-6.5%
Specialties services	**109,567**	110,358	-0.7%
Dental services	**51,792**	46,031	12.5%
	481,147	498,576	-3.5%

In FY2017, our Group recorded revenue amounted to approximately HK$481.1 million, representing a decrease of approximately 3.5% as compared with FY2016 (Restated).

Our revenue from general practice services decreased by approximately HK$22.4 million or 6.5% from FY2016 (Restated) to approximately HK$319.8 million. The decrease was mainly attributed to the shorter period and reduced impact of the seasonal flu as compared with that for the 2015/16 winter resulting in the decrease in number of patient visits from 1.15 million times for FY2016 to 1.07 million times for FY2017.

Our revenue from specialties services remained stable as compared with FY2016 (Restated).

Our revenue from dental services increased by approximately HK$5.8 million or 12.5% from FY2016 (Restated) to approximately HK$51.8 million. The increase was mainly attributed to the increase in number of patient visits from 45,000 times for FY2016 to 50,000 times for FY2017.

Financial Review for FY2017 *(continued)*

Cost of services rendered

Our cost of services rendered represents cost in relation to our medical services provided including fees payable to doctors and dentists, cost of pharmaceutical supplies and other related charges. The following table sets forth the breakdown of our cost of services rendered:

	FY2017	FY2016	% of change
	HK$'000	*HK$'000*	
		(Restated)	
Fees payable to doctors and dentists	**211,582**	215,793	-2.0%
Cost of pharmaceutical supplies	**40,378**	42,608	-5.2%
Laboratory expenses	**2,980**	3,500	-14.9%
Write-down of inventories to net realisable value	**47**	125	-62.4%
	254,987	262,026	-2.7%

Our cost of services rendered decreased by approximately HK$7.0 million or 2.7% to approximately HK$255.0 million for FY2017. Such decrease was mainly due to a decrease in fees payable to doctors and dentists, cost of pharmaceutical supplies and other related charges which were in line with the decrease in our revenue for FY2017.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$10.4 million or 4.4% from FY2016 (Restated) to approximately HK$226.2 million for FY2017 as a result of decrease in revenue mainly due to the decrease in number of patient visits of general practice services. Our gross profit margin decreased to approximately 47.0% for FY2017 from approximately 47.4% for FY2016 (Restated) which was mainly due to a decrease in gross profit margin from general practice services.

The following table sets forth breakdown of our gross profit and gross profit margin by service types:

	Year ended 30 June			
	2017		2016 (Restated)	
		Gross profit		*Gross profit*
	HK$'000	***margin %***	*HK$'000*	*margin %*
General practice services	**166,051**	**51.9%**	179,728	52.5%
Specialities services	**39,759**	**36.3%**	38,469	34.9%
Dental services	**20,350**	**39.3%**	18,353	39.9%
	226,160	**47.0%**	236,550	47.4%

Financial Review for FY2017 *(continued)*

Gross profit and gross profit margin *(continued)*

Our gross profit margin for general practice services decreased from approximately 52.5% for FY2016 (Restated) to approximately 51.9% for FY2017 mainly as a result of higher fees payable to general practitioners during FY2017 as their remuneration packages were different based on their experiences and length of services with us.

Our gross profit margin for specialities services increased from approximately 34.9% for FY2016 (Restated) to approximately 36.3% for FY2017 mainly as a result of lower fees payable to specialists during FY2017 as their remuneration packages were different based on their specialities, experiences and length of services with us.

Our gross profit margin for dental services decreased from approximately 39.9% for FY2016 (Restated) to approximately 39.3% for FY2017 mainly as a result of higher fees payable to dentists.

Other income and gains

Our other income and gains decreased by approximately HK$0.5 million or 35.4% from FY2016 (Restated) to approximately HK$0.9 million for FY2017 mainly due to no compensation received from doctors or written back of other payable for FY2017, which were non-recurring income and were approximately HK$1.0 million in FY2016.

Administrative expenses

Our administrative expenses increased by approximately HK$16.7 million or 9.0% to approximately HK$202.1 million for FY2017 from approximately HK$185.4 million for FY2016 (Restated) as a result of (i) an increase in salaries and welfare expenses of approximately HK$8.6 million mainly due to the inflation in salaries and increase in number of experienced and managerial staff to support the Group's business development in Hong Kong and the PRC; and (ii) an increase in rental expenses of approximately HK$5.2 million due to the average number of medical centres in FY2017 was higher than that of FY2016 (Restated).

Management Discussion and Analysis

Financial Review for FY2017 *(continued)*

Share of losses of a joint venture

Our share of losses of a joint venture increased by approximately HK$3.3 million or 204.7% from approximately HK$1.6 million for FY2016 to approximately HK$4.9 million for FY2017. The increase was mainly due to the fact that the joint venture is still in start-up stage.

Income tax expense

Income tax expense decreased by approximately HK$4.9 million or 39.3% to approximately HK$7.5 million for FY2017 from approximately HK$12.4 million for FY2016 (Restated). The decrease was mainly due to a decrease in assessable income as a result of decrease in revenue. Our effective tax rate increased from approximately 34.5% for FY2016 (Restated) to approximately 37.3% for FY2017 as a result of tax losses not recognised of certain subsidiaries of approximately HK$16.9 million where no taxable profits will be available against which the losses could be utilised.

Profits for the year

As a result of the foregoing, profit for the year decreased by approximately HK$10.8 million or 46.3% to approximately HK$12.6 million for FY2017 from approximately HK$23.4 million for FY2016 (Restated). Our net profit margin also decreased to approximately 2.6% for FY2017 from approximately 4.7% for FY2016 (Restated).

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK$13.5 million for FY2017, representing a decrease of approximately HK$10.0 million or 42.5% from FY2016 (Restated). This decrease was primarily attributed to the decrease in revenue and increase in operating expenses for the Group's business development and expansion in Hong Kong and the PRC.

BUSINESS REVIEW AND OUTLOOK

Business Review for FY2017

During FY2017, we continued to strategically expand our network and scope of services with the aim of providing comprehensive, one-stop and quality healthcare services to customers. We set up several new medical centres, which, on top of medical services, also provide preventive as well as life-enriching wellness services such as medical aesthetic services and mental health related services to meet different needs of customers. To offer an all-round integrated medical service platform, we opened our first "Polyhealth Specialists cum Concept Centre" in Tsim Sha Tsui, core urban in Hong Kong, in November 2016. This specialties services cum concept centre, with five different centres in one place, affords one-stop specialties and dental services to customers. In addition to expanding our specialties medical services to cover provision of geriatric medicine and chiropractic in FY2017, we have also extended our business to medical diagnostics including the provision of medical imaging and endoscopy services through the acquisition of We Health International Limited, which was a company ultimately and beneficially owned as to 90% and 10% by each of Mr. Chan Kin Ping and Dr. Pang Lai Sheung, respectively, and is the holding company of We Health Medical Diagnostic Limited ("**We Health**") and Impact Medical Imaging Centre Company Limited ("**Impact**"). Such acquisition constituted a de minimis connected transaction which is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Directors believe the new businesses, which have enriched our range of services, will bolster development of the Group's specialties service business and bring synergies as well as strengthen cooperation with the Hong Kong government on public and private partnership program that can help strengthening the Group's market position and customer base, and the proof is in the larger patient base in FY2017.

Business Review for FY2017 *(continued)*

We also focus on strengthening our business in the PRC. During FY2017 - our first flagship integrated medical centre "Shanghai Human Health Integrated Medical Centre*" (上海盈健門診部) officially opened in December 2016, provides general medical consultation, gynaecology, paediatrics, dermatology and aesthetic, dental, internal medicine and mental health counselling services to PRC customers.

As at 30 June 2017, the Group operated 71 medical centres in Hong Kong under the following brand names with 127 service points.

* *for identification purpose only*

Business Review for FY2017 *(continued)*

During FY2017, we provided the following comprehensive healthcare services in Hong Kong:

General Practice Services	Specialties Services	Dental Services
• General consultation • Diagnostic and preventive healthcare services • Minor procedures • Vaccinations • Physical check-ups • Health education activities • Occupational health advices • Work injury assessment	Specialties • General surgery • Orthopaedics & traumatology • Ophthalmology • Otorhinolaryngology • Paediatrics • Obstetrics & gynaecology • Gastroenterology & hepatology • Respiratory medicine • Cardiology • Paediatric surgery • Dermatology • Geriatric medicine • Psychiatry • Radiology • Public health medicine Other Services • Physiotherapy • Clinical psychology • Medical aesthetic • Chiropractic • Medical diagnostic	• Oral examination • Dental implant • Crown and bridge • Endodontics • Prosthodontics • Oral surgery • Bleaching • One-hour tooth whitening • Orthodontics • Veneers and laser dentistry • Advanced oral and maxillofacial surgery • Periodontal treatment • Panoramic radiography • Cone-beam computed tomography

We attribute our prominent market position to our experienced and stable exclusive professional team comprising general practitioner, specialist, dentist and others such as physiotherapist, chiropractor, radiographer, registered nurse, pharmacist and dental hygienist.

Set forth below is the number of members in our exclusive professional team as at 30 June 2017:

General practitioners	**69**
Specialists	**25**
Dentists	**18**
Others	**13**
Total	**125**

Business Review for FY2017 *(continued)*

In addition to the exclusive professional team above, a total number of 57 professionals including general practitioner, specialist, dentist and clinical psychologist worked with us on a non-exclusive basis as at 30 June 2017.

Our clientele including individual customer and corporate customer which include medical scheme management company, insurance company and corporation. For FY2017, revenue generated from individual customers and corporate customers represented approximately 78.8% and 21.2% of our total revenue, respectively. Moreover, the patient base grew from approximately 1.83 million as at 30 June 2016 to approximately 1.96 million as at 30 June 2017.

Our suppliers including general practitioner, specialist, dentist, clinical psychologist (all of whom are in contractual relationship with us), and also pharmaceutical products distributor and manufacturer, laboratory and imaging centre. For FY2017, costs incurred with our five largest suppliers accounted for approximately 13.9% of our total cost of services rendered and cost incurred with our largest supplier accounted for approximately 4.2% of our total cost of services rendered.

Business Outlook

The demand for public healthcare service is constantly strong in Hong Kong, hence private healthcare operators are assuming a more and more important role in guarding Hong Kong people's health. Nonetheless, fierce competition in the healthcare service industry leading to a tight supply of suitable professionals has pushed the operating costs up, posing pressure on the operations of healthcare service providers.

Despite the above challenges, the Group is ready to meet the growing demand and coming with the business opportunities by continuing to develop our network that can avail integrated, high quality and comprehensive healthcare services to local communities. Most of the Group's medical centres, which are open throughout the week and offer late night services, can help alleviate the pressure on public outpatient services. In the near future, the Group is going to open an ophthalmology centre, equipped with a number of ophthalmic instruments and available for daytime surgery to provide comprehensive and one-stop treatment to patients with eyes' related problems by a team of experienced ophthalmologists. The Group will continue to expand our service scope, review potential acquisition and investment opportunities so as to increase our market share and revenue base. Meanwhile, the Group is committed to providing a comprehensive and prosperous platform to retain and attract suitable professionals with our well-established infrastructures.

Regarding the business development in the PRC, the Group will assess the performance of our first medical centre in Shanghai and map out a suitable development plan as when appropriate. Seeing potential in the private healthcare services market in the PRC, the Directors are looking for investment opportunities that promise good financial returns to the Group and can help us gain a favourable position in the PRC market.

Business Outlook *(continued)*

During FY2017, the pursuit of rapid business development and expansion in Hong Kong and the PRC, which led to inevitably increase in operating expenses, affected the Group's net profit. However, guided by the motto "From Our Heart • For Your Health" (仁心 • 稱心) and backed by our extensive experience and proven track record, we will continue to fortify our leadership in the industry and expand medical services in depth and breadth to provide customers with all-rounded integrated medical services. The Group believes that our expansion strategies can enable us to devise and provide healthcare services to meet prevailing market needs and will also enhance and strengthen our business foundation in the long run for achieving long term sustainable growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a good financial position during FY2017. As at 30 June 2017, the Group had net current assets of approximately HK$169.1 million (as at 30 June 2016 (Restated): approximately HK$126.5 million) and cash and cash equivalents and pledged deposits of approximately HK$172.8 million (as at 30 June 2016 (Restated): approximately HK$172.3 million). The cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi. The Group did not have any interest-bearing borrowings during FY2017. Thus, gearing ratio which is net debt divided by the adjusted capital plus net debt, and net debt to equity ratio were both not applicable to the Group. The Group did not have any financial instruments for hedging purposes.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during FY2017. The capital of the Company comprises ordinary shares and other reserves.

CHARGES ON GROUP ASSETS

As at 30 June 2017, fixed deposit of approximately HK$1.0 million have been pledged to a bank to secure overdrafts of the Group. In addition, fixed deposit of approximately HK$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK$1.0 million.

FOREIGN EXCHANGE EXPOSURE

The Group conducts business primarily in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi. Currently, the Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and would consider if there is a need to hedge against significant foreign currency exposure when necessary.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during FY2017 and up to the date of this annual report.

CAPITAL COMMITMENTS

	As at 30 June	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Contracted, but not provided for:		
Medical equipment	**180**	—
IT equipment	**—**	629
	180	629

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2017.

EMPLOYEES

As at 30 June 2017, the Group had 423 full-time employees (as at 30 June 2016: 414) and 77 part-time employees (as at 30 June 2016: 79).

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demand and expansion plans. We offer to our employees different remuneration packages based on their position. Generally, we pay basic salary and incentives (based on years of service) to all of our employees. To enhance the quality of our services, we adopt prudent assessment criteria when selecting our Group's professional staff including physiotherapist, chiropractor, radiographer, pharmacist, registered nurse and dental hygienist, and take into account a number of factors such as experience, skills and competencies. We assess their credentials and suitability through interviews and aptitude tests as appropriate. We also provide regular training for our employees in the operations department. Details on our human resources programs, training and development are set out in the "ESG Report" on pages 55 to 65 of this annual report.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the Listing amounted to approximately HK$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016), and are intended to be applied in the manner consistent with that set out in the prospectus of the Company dated 17 March 2016. For the period commencing from the Listing to 30 June 2017, the proceeds has been utilised as follows:

	Net Proceeds	Utilised Amounts	Unutilised Amounts
	HK$million	*HK$million*	*HK$million*
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	14.6	24.5
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	3.1	2.8
Expansion in PRC market	12.7	10.3	2.4
Acquisition of established medical centres in Hong Kong	8.4	2.8	5.6
Brand building	5.1	0.6	4.5
Enhancement in IT infrastructure	5.1	1.1	4.0
Working capital and other general corporate purposes	8.5	–	8.5
	84.8	32.5	52.3

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHAN Kin Ping (陳健平) ("Mr. Chan"), aged 53 is the chairman of the Board, chief executive officer of our Group and an executive Director. Mr. Chan is also one of the co-founders of our Group and has since then been leading our Group for over 20 years to serve in the private healthcare industry. He is responsible for managing the overall operations and developments and formulating the overall business plans of our Group. Mr. Chan currently also holds directorship in each of the members of the Group except Yingjian Qiye Management Consultancy (Shanghai) Limited* (盈健企業管理諮詢 (上海) 有限公司) ("**Yingjian Qiye**").

Mr. Chan obtained a degree of Master of Business Administration from the University of South Australia in August 2008.

In September 2016, Mr. Chan was appointed as the chairman cum director of Hong Kong Kowloon City Industry and Commerce Association. Mr. Chan is currently serving as the Vice Chairman of Kowloon West Youth Care Committee and a director of The Lok Sin Tong Benevolent Society, Kowloon. Mr. Chan was also appointed as the principal adviser of the advisory board to Auxiliary Medical Services Officers' Club since June 2013. Moreover, Mr. Chan has been a director of the Hong Kong Shanxi Chamber of Commerce and an ordinary member of the Hong Kong Professionals and Senior Executives Association since May 2014 and November 2013, respectively. He has also been the Vice President of the Hong Kong Real Property Federation since September 2013.

Mr. Chan is the husband of Dr. Pang Lai Sheung, the chief medical officer of our Group and an executive Director, and the uncle of Mr. Poon Chun Pong, the chief operating officer of our Group and an executive Director.

Dr. PANG Lai Sheung (彭麗嫦) ("Dr. Pang"), aged 50 was appointed as the chief medical officer of our Group and is an executive Director. Dr. Pang is one of the co-founders of our Group. Dr. Pang is mainly responsible for overseeing and providing advice on the management of our professional team and has contributed significantly to the developments of our Group. Dr. Pang currently also holds directorship in a number of members of the Group, namely Actmax Limited, A-Link Limited, Human Health Associate Limited, Human Health International Limited, Human Health Limited, Human Health Medical Services Limited, Human Health (H.K.) Limited, Novel Champion Limited, Novel Wiser Limited and Solid Success Global Limited.

Dr. Pang obtained degrees of Bachelor of Medicine and Bachelor of Surgery from The Chinese University of Hong Kong in 1993. Dr. Pang has been a registered medical practitioner in Hong Kong since 1993. Dr. Pang also completed a Diploma in Family Medicine and a Diploma Programme in Advances in Medicine from The Chinese University of Hong Kong in August 2001 and March 2005, respectively.

Dr. Pang was awarded a degree of Master of Business Administration issued jointly by Northwestern University and The Hong Kong University of Science and Technology in December 2014.

Moreover, she has been an Honorary Clinical Assistant Professor in Faculty of Medicine of The Chinese University of Hong Kong since June 2014.

Dr. Pang is the wife of Mr. Chan, the chairman of the Board, chief executive officer of our Group and an executive Director and the aunt of Mr. Poon Chun Pong, the chief operating officer of our Group and an executive Director.

EXECUTIVE DIRECTORS *(continued)*

Ms. SAT Chui Wan (薩翠雲) ("Ms. Sat"), aged 49, joined our Group in August 2008 and was appointed as the chief financial officer of our Group in September 2013 and is an executive Director. She is mainly responsible for overseeing the financial, risk and human resources management of our Group.

Ms. Sat obtained a degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in October 1992. She subsequently obtained a degree of Master of Business Administration from the University of Lancaster in the United Kingdom in November 2000 and completed the International Study Program (ISP) at the University of St. Gallen in December 2000. She also completed the City University of Hong Kong Advanced Management Programme at the University of California, Berkeley in August 2010.

Ms. Sat is a member of the Hong Kong Institute of Certified Public Accountants since September 1996. She was also admitted as an associate of the Chartered Association of Certified Accountants since July 1996 and is a fellow of the Chartered Association of Certified Accountants since July 2001.

Ms. Sat has over 20 years of working experience in accounting, finance, management and strategic planning in different industries. Prior to joining our Group, she was an assistant accountant of The Wing On Department Stores (Hong Kong) Limited from September 1994 and was promoted to accountant in January 1996 until April 1999. She joined Sun Fung Offset Binding Co. Ltd. as the financial controller from October 2004 to June 2007 and was assigned the role as deputy chief executive officer from October 2005 to June 2007.

Mr. POON Chun Pong (潘振邦) ("Mr. Poon"), aged 39 joined our Group in June 2003 and was appointed as the chief operating officer in September 2013. Mr. Poon is an executive Director and is mainly responsible for overseeing the overall business operations of our Group. Mr. Poon currently also holds directorship in a number of members of the Group, namely Be Health Specialist Limited, Perfect Life Asia Limited, We Health, Impact and Yingjian Qiye.

Mr. Poon obtained a degree of Bachelor of Engineering with Honours and a degree of Master of Business Administration from The Chinese University of Hong Kong in December 2000 and December 2009, respectively.

Mr. Poon has over 14 years of experience in information technology in the medical field and over 10 years of management experience as he began his career as a senior technical analyst of Human Health Associate Limited in June 2003. He was later appointed as an assistant director of Actmax Limited in April 2007 and is primarily responsible for overseeing the overall business operations of our Group.

Mr. Poon is the nephew of Mr. Chan, the chairman of the Board, chief executive officer of our Group and an executive Director, and Dr. Pang, the chief medical officer of our Group and an executive Director.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI Sun Wing (呂新榮) ("Dr. Lui"), aged 67 was appointed as an independent non-executive Director on 27 January 2016. Dr. Lui obtained his degree of Doctor of Philosophy (Mechanical Engineering) from the University of Birmingham in the United Kingdom in July 1979 and was admitted as a member of the Hong Kong Institution of Engineers in 1985.

Dr. Lui is the former vice president of The Hong Kong Polytechnic University and was responsible for partnership development. He is also the former chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the PolyU Enterprise Limited. Prior to joining The Hong Kong Polytechnic University, Dr. Lui was the branch director of the Hong Kong Productivity Council and in charge of the Materials and Process Branch.

Dr. Lui's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

Company	Stock Code	Position	Term
Eco-Tek Holdings Limited	08169	Non-executive director	Since January 2001
Shanghai Electric Group Company Limited	02727	Independent non-executive director	Since December 2010
Leeport (Holdings) Limited	00387	Non-executive director	From July 2013 to July 2014

Mr. CHAN Yue Kwong Michael (陳裕光) ("Mr. Michael Chan"), aged 65 was appointed as an independent non- executive Director on 27 January 2016. He obtained a degree in Sociology and Political Science and a degree of Master of City Planning from the University of Manitoba, Canada in May 1974 and October 1977, respectively and an Honorary Fellow from Lingnan University in December 2009.

Having worked as a professional town planner for various government bodies in Hong Kong and Canada, he has considerable experience in planning and management.

Mr. Michael Chan is currently a fellow and also the honorary chairman of the Hong Kong Institute of Marketing, and the chairman of the Business Enterprise Management Centre of the Hong Kong Management Association. Mr. Michael Chan is also appointed by the Hong Kong government as a member of the Business Facilitation Advisory Committee of the Financial Secretary's Office. In past years, Mr. Michael Chan was personally bestowed with the "Executive of the Year Award" by the Hong Kong Business Awards and the "Directors of the Year Award" by The Hong Kong Institute of Directors, in 2001 and 2003 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Michael Chan's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

Company	Stock Code	Position	Term
Cafe de Coral Holdings Limited	00341	Chairman	From December 1997 to March 2016
		Non-executive director	Since April 2012
Starlite Holdings Limited	00403	Independent non-executive director	Since January 1993
Kingboard Laminates Holdings Limited	01888	Independent non-executive director	From November 2006 to July 2015
Pacific Textiles Holdings Limited	01382	Independent non-executive director	Since March 2007
Tse Sui Luen Jewellery (International) Limited	00417	Independent non-executive director	Since August 2010
Tao Heung Holdings Limited	00573	Non-executive director	Since March 2007
Modern Dental Group Limited	03600	Independent non-executive director	Since November 2015

Mr. SIN Kar Tim (冼家添) ("Mr. Sin"), aged 61, was appointed as an independent non-executive Director on 27 January 2016. Mr. Sin has over 35 years of experience in areas of accounting, finance, administration, human resources and company secretarial.

Mr. Sin obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in December 1980. He is currently a fellow of the Chartered Association of Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants.

Mr. Sin has been working for Wing On Group since July 1980. He is currently the chief accountant and company secretary of Wing On Company International Limited, a company listed on the Stock Exchange (Stock Code: 00289), the chief accountant of The Wing On Company Limited and a director of The Wing On Department Stores (Hong Kong) Limited and he is responsible for the group's administration, accounting and finance matters.

Directors and Senior Management

SENIOR MANAGEMENT

Dr. KWONG Kin Hung (鄺健鴻) ("Dr. Kwong"), aged 44, joined our Group in July 2003 and was appointed as a member of our doctor advisory board in August 2009 and is mainly responsible for overseeing the quality of the medical services and handling of issues in relation to the training, engagement and complaints of our professional team. Dr. Kwong is a general practitioner who graduated from the Faculty of Medicine of The University of Hong Kong in December 1998 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He also holds a Postgraduate Diploma in Community Geriatrics from The University of Hong Kong in October 2003. Subsequently, at Monash University, he obtained a Graduate Diploma in Family Medicine in October 2007 as well as a degree of Master of Family Medicine (Clinical) in October 2008. Moreover, in March 2009, he was awarded the Diploma in Advances in Medicine by the Department of Medicine & Therapeutics of The Chinese University of Hong Kong.

Dr. Kwong is also the medical director of our Group and is an associated member of The Hong Kong College of Family Physicians. He was the President of Mount Cameron Lions Clubs, Lions Clubs International District 303 in Hong Kong, Macau and China in 2016 - 17.

Dr. LEE Huen (李煊) ("Dr. Lee"), aged 41, joined our Group in October 2002 and was appointed as a member of our doctor advisory board in October 2012 and is mainly responsible for overseeing the quality of the medical services and handling of issues in relation to the training, engagement and complaints of our professional team. Dr. Lee is a general practitioner who obtained degrees of Bachelor of Medicine and Bachelor of Surgery from The Chinese University of Hong Kong in 2000. While at Monash University, he received a Graduate Diploma in Family Medicine in October 2005 and a Master of Family Medicine (Clinical) in April 2007. In November 2008, at the University of London, he was awarded the Post Graduate Diploma in Clinical Dermatology with merit. Dr. Lee also holds a Diploma in Advances in Medicine from the Department of Medicine & Therapeutics of The Chinese University of Hong Kong in March 2009.

Dr. CHAN Wai Hong (陳偉康), aged 50, joined our Group in October 2007 as our head of gastroenterology and hepatology unit and is responsible for overseeing the quality of the medical services provided by gastroenterology and hepatology specialists of our Group.

Dr. Chan Wai Hong graduated from the Faculty of Medicine of The Chinese University of Hong Kong in 1991 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He was subsequently admitted as Member of Royal College of Physician (MRCP Ireland) in 2001 & Member of Royal college of Physician (MRCP UK) in 2002. He was elected as a Fellow of Hong Kong College of Physician in 2005 and a Fellow of Hong Kong Academy of Medicine (Medicine) in 2006.

Dr. Chan Wai Hong had worked in the Hospital Authority for 16 years from 1991 to 2007 and gained his enriched experience in clinical medicine and Gastroenterology & Hepatology.

SENIOR MANAGEMENT *(continued)*

Dr. HUI Chi Wai Frederick (許志偉) ("Dr. Hui"), aged 45, joined our Group in October 2009 as our head of orthopaedics and traumatology unit and is responsible for overseeing the quality of the medical services provided by orthopaedics and traumatology specialists of our Group. Dr. Hui is an orthopaedics & traumatology specialist who graduated with degrees of Bachelor of Medicine and Bachelor of Surgery from the University of Hong Kong in November 1996 and was a Member of the Royal College of Surgeons of Edinburgh in 2001. In 2006, he became a Fellow in Orthopaedic Surgery in the Royal College of Surgeons of Edinburgh, a Fellow of the Hong Kong Academy of Medicine (Orthopaedic Surgery) and, last but not least, a Fellow of Hong Kong College of Orthopaedic Surgeons. Dr. Hui has also obtained a Certificate in Advanced Trauma Life Support in 2004.

He is a member of the Hong Kong College of Orthopaedic Surgeons and the Hong Kong Orthopaedic Association. He has received overseas training in Japan and attended various medical workshops and conferences over the years. Dr. Hui has worked for various public hospitals in Hong Kong from July 1996 to July 2007.

Dr. YUEN Ka Sing Michael (袁嘉聲) ("Dr. Yuen"), aged 45, joined our Group in December 2009 as our head of general surgery unit and is responsible for overseeing the quality of the medical services provided by general surgery specialists of our Group. Dr. Yuen is a specialist in general surgery who graduated with degrees of Bachelor of Medicine and Bachelor of Surgery from The University of Hong Kong in November 1996 and was admitted as a Member of the Royal College of Surgeons of Edinburgh in May 2001. In 2006, Dr. Yuen became a Fellow in the College of Surgeons of Hong Kong, a Fellow in General Surgery in the Royal College of Surgeons of Edinburgh as well as a Fellow of the Hong Kong Academy of Medicine (Surgery).

Dr. Yuen had received overseas training working as honorary surgical assistant at the St. Mark's Hospital & Academic Institute in London, United Kingdom from November 2006 to February 2007. He has published articles and presented in many medical journals and conferences. Furthermore, he was appointed as the Honorary Clinical Assistant Professor at the Department of Surgery of The Chinese University of Hong Kong from 2009 to 2010.

Dr. CHAN Tat Ming (陳達明), aged 50, joined our Group in January 2010 as our head of otorhinolaryngology unit and is responsible for overseeing the quality of the medical services provided by otorhinolaryngology specialists of our Group. Dr. Chan Tat Ming is a specialist in otorhinolaryngology who graduated from the Faculty of Medicine of The University of Hong Kong in December 1992 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He was subsequently elected as a Fellow of Royal College of Surgeons of Edinburgh in 1999 and a Fellow of Hong Kong College of Otorhinolaryngologists, a Fellow in Otolaryngology of the Royal College of Surgeons of Edinburgh and a Fellow of the Hong Kong Academy of Medicine (Otorhinolaryngology) in 2002.

Upon his graduation from The University of Hong Kong, Dr. Chan Tat Ming was employed by the Hospital Authority as a medical officer from January 1993 to March 2006, an associate consultant from April 2006 to January 2010 and joined our Group as an Otolaryngologist afterwards. He is a Registered Medical Practitioner in Hong Kong since March 1994 and a specialist in Otolaryngology in Hong Kong since February 2003. He has accumulated over 23 years of medical practicing experience, including over 14 years of experience as an Otolaryngologist in the Otolaryngology field in Hong Kong.

SENIOR MANAGEMENT *(continued)*

Dr. SETO Siu Keung (司徒少強) ("Dr. Seto"), aged 51, joined our Group in August 2008 and was appointed as our co- head of dental unit in July 2015 and is responsible for overseeing the quality of the dental services and providing training to dentists of our Group. Dr. Seto currently holds directorship in a number of members of the Group, namely Poly Dental Services Limited, Laserdontics Limited, Seto & Wan Dental Centre Limited and Good Standard Limited. Dr. Seto is a dentist, who graduated with a Bachelor in Dental Surgery from the Faculty of Dentistry of the University of Hong Kong in December 1992. He then obtained his Diploma in General Dental Practice from The Royal College of Surgeons of England in February 1996, a Postgraduate Diploma in Dental Surgery from the University of Hong Kong in October 1999 and a Master of Science in Dental Radiology at the University of London in December 2001. In August 2004, he was awarded a Diploma in Clinical Acupuncture by The University of Hong Kong. Subsequently, Dr. Seto switched to laser dentistry where he completed a Master of Science in Lasers in Dentistry in RWTH Aachen University of Germany in September 2007 with distinction. In 2008, he was awarded the Membership in General Dentistry by The College of Dental Surgeon of Hong Kong and in 2009 he obtained the European Master Degree in Oral Laser Application.

Dr. Seto was a part time clinical lecturer in the Faculty of Dentistry of the University of Hong Kong from September 2005 to August 2015. He is currently a specialist clinical lecturer of the Laser and Health Academy and a Fellow of the International College of Continuous Dental Education. In recent years, he frequently travels to the main cities in the PRC and other Asian countries to deliver lectures, provide basic dental laser trainings and exchange ideas with local dentists.

Dr. LAU Wai Man (劉偉文) ("Dr. Lau"), aged 51, joined our Group in August 2008 and was appointed as our co-head of dental unit in July 2015 and is responsible for overseeing the quality of the dental services and providing training to dentist of our Group. Dr. Lau currently holds directorship in a number of members of the Group, namely Poly Dental Services Limited, Laserdontics Limited, Seto & Wan Dental Centre Limited and Good Standard Limited. Dr. Lau is a dentist who graduated with a Bachelor of Dental Surgery from the University of Hong Kong in 1992, Dr. Lau later completed a Diploma of Membership of the Faculty of General Dental Practitioners from The Royal College of Surgeons of England in 2005. In 2014, he received a Membership in General Dentistry from The College of Dental Surgeons of Hong Kong.

COMPANY SECRETARY

Ms. MAN Ching Yan (文靜欣) ("Ms. Man") has joined our Group since May 2015. Ms. Man obtained a bachelor's degree in economics and finance from the University of Hong Kong. Ms. Man is a member of the Hong Kong Institute of Chartered Secretaries (HKICS) and the Institute of Chartered Secretaries and Administrators (ICSA). Ms. Man is a CFA charterholder and a member of the CFA Institute and The Hong Kong Society of Financial Analysts Limited.

* *for identification purpose only*

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own corporate governance framework.

The Board has reviewed the Company's corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision A.2.1 as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during FY2017.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Chan as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership with the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company as when appropriate and suitable by taking into account the circumstances of the Group as a whole.

THE BOARD OF DIRECTORS

Responsibilities

The functions and duties of our Board include, but not limited to, overall strategic directions for the Group, formulating business and investment plans, preparing the annual budget and accounts, preparing proposals on profit distribution as well as performing other authorities, functions and responsibilities in accordance with the amended and restated articles of association of the Company (the "**Articles**"). Each of the executive Directors who is also the chief executive officer, chief medical officer, chief financial officer and chief operating officer, respectively together with our senior management and heads of departments have been delegated with the responsibilities to handle the day-to-day operations of the Group. The Company has adopted a formal schedule of matters specifically reserved for the Board, including but not limited to the following:

- approval for the Company's strategic plans and objectives;
- approval for significant transactions, investments and major financial matters;
- approval of announcements, circulars and reports;
- approval of connected transactions;
- approval of any matters that are recommended by the Board committee pursuant to their terms of reference.

Responsibilities *(continued)*

The Board gives clear directions to management on the matters that must be approved by it before decisions are made. The Board will review those arrangements periodically to ensure that they remain appropriate to the Group's needs.

Specifically in relation to the corporate governance function, the Board is responsible for performing, among others, the following corporate governance duties:

1. developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
2. reviewing and monitoring the training and continuous professional development of Directors and senior management;
3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to our employees and Directors; and
5. reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Board has delegated part of the above duties to the Company's Board committees, and their duties are set out in the terms of reference of the respective Board committee.

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary of the Company (the "**Company Secretary**"), if and when required, with a view to ensure that all applicable rules and regulations are followed.

There are established procedures for Directors, upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

The Company has arranged appropriate liability insurance for the Directors and officers of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

The Board currently consists of seven Directors comprising four executive Directors and three independent non- executive Directors.

Executive Directors

Mr. Chan Kin Ping *(Chairman and Chief Executive Officer)*
Dr. Pang Lai Sheung
Ms. Sat Chui Wan
Mr. Poon Chun Pong

Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

The biographical details of each Director are set out in the "Directors and Senior Management" on pages 18 to 24 of this annual report.

Chairman of the Board and Chief Executive Officer

Mr. Chan acts as the chairman of the Board and chief executive officer of the Group.

The key role of the chairman of the Board is to provide leadership to the Board. In performing his duties, the chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities by encouraging Directors to make active contribution to the Board's affairs. The chairman of the Board also ensures that good corporate governance practices and procedures are established and the Board acts in the best interest of the Company.

The key role of chief executive officer is to be responsible for the day-to-day management and operations of the business of the Group. The duties of chief executive officer mainly include, but not limited to, providing leadership and supervising the effective management of the Group; monitoring and controlling the financial and operational performance of various divisions; and implementing the objectives and strategies approved by the Board and policies adopted by the Group.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors, of whom Mr. Sin has appropriate professional qualifications and related experiences in financial matters.

The Company has received written confirmation from each of the independent non-executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by the shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Pursuant to Article 83(3) of the Articles, 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 by the board 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 by the board 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.

Pursuant to Articles 84(1) and 84(2) of the Articles, notwithstanding any other provisions in the Articles, at each annual general meeting one third of the directors for the time being (or, if their number is not a multiple of three (3), 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. A retiring director shall be eligible for re- election and shall continue to act as a director throughout the meeting at which he retires. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any director appointed by the board pursuant to Article 83(3) shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation.

Accordingly, Dr. Pang, Ms. Sat and Mr. Michael Chan will retire as required by the Articles and the Listing Rules and, being eligible, offer themselves for re-election at the AGM.

Induction and Continuous Professional Development for Directors

Each newly appointed Director will receive comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Induction and Continuous Professional Development for Directors *(continued)*

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. The Directors are regularly briefed on relevant legal and regulatory developments, business and market changes in order to discharge their responsibilities. During FY2017, the Company has arranged in-house trainings in respect of the Listing Rules and other applicable legal and regulatory requirements to the Directors and reading material on relevant topics have been provided to the Directors for refreshing and developing their professional knowledge.

During FY2017, all Directors have been provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors have provided their training records to the Company.

BOARD AND BOARD COMMITTEES MEETINGS

Regular Board meetings are scheduled to facilitate maximum attendance by the Directors and to be held at least 4 times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Apart from the regular Board meetings, the Board will meet on other occasions from time to time when a board-level decision on a particular matter is required.

Notices of regular Board meetings are served to all Directors at least 14 days before such meetings while reasonable notice is generally given for other Board meetings.

For Board committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and accompanying papers together with all appropriate, complete and reliable information are sent to Directors or Board committee members at least 3 days before each Board or Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. Directors are given the opportunity to include matters in the agenda for Board or Board committee meetings. The Board and each Director also have separate and independent access to the management of the Group whenever necessary.

Minutes of all Board meetings, Board committee meetings and general meetings recording sufficient details of matters considered and decisions reached, are kept by the Company Secretary, and are opened for inspection by the Directors. Draft and final versions of minutes are sent to all Directors or Board committee members for comments within a reasonable time after the meetings.

Corporate Governance Report

Board Meetings and Other Meetings

During FY2017, six Board meetings were held when the following key issues were, among others, reviewed and considered:

- annual and interim financial statements and the related results announcements and reports;
- corporate governance practice, internal control and risk management;
- connected transactions, other transactions and related announcements;
- distribution of dividend, circular and other documentations for the annual general meeting of the Company;
- environmental, social and governance reporting matters;
- budget plan for the year ending 30 June 2018; and
- granting of share options.

Attendance records of the Directors are set out below:

	Meetings attended/held
Executive Directors	
Mr. Chan Kin Ping	6/6
Dr. Pang Lai Sheung	6/6
Ms. Sat Chui Wan	6/6
Mr. Poon Chun Pong	6/6
Independent Non-executive Directors	
Dr. Lui Sun Wing	6/6
Mr. Chan Yue Kwong Michael	6/6
Mr. Sin Kar Tim	6/6

During FY2017, one meeting was held between the chairman of the Board and the independent non-executive Directors without the executive Directors present. An annual general meeting was held and all Directors attended.

Board Committees

The Board has established three committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's and the Stock Exchange's websites.

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely:

Mr. Sin Kar Tim *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael

None of the members of the Audit Committee is a former partner of the Company's existing external auditor. The main duties of the Audit Committee include, among others, the following:

(a) making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) monitoring integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;

(c) reviewing the Company's financial controls, risk management and internal control systems;

(d) reporting to the Board on the matters in relation to the corporate governance functions;

(e) reviewing continuing connected transactions of the Company and ensuring compliance with the Listing Rules;

(f) ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

During FY2017, three meetings of the Audit Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the nature and scope of the audit by reference to the audit plan presented by the auditor;
- the independence of the auditor and re-appointment of auditor;
- the audit findings by the auditor and the auditor's management letter;
- the annual and interim financial statements and related results announcements;
- the corporate governance practice, the internal audit plan, internal control system and risk management; and
- the continuing connected transactions of the Group.

Audit Committee *(continued)*

Attendance records of the members of Audit Committee are set out below:

Audit Committee members	Meetings attended/held
Mr. Sin Kar Tim *(Chairman)*	3/3
Dr. Lui Sun Wing	3/3
Mr. Chan Yue Kwong Michael	3/3

Remuneration Committee

The Remuneration Committee comprises the Chairman of the Board and three independent non-executive Directors, namely:

Dr. Lui Sun Wing *(Chairman)*
Mr. Chan Kin Ping
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

The main duties of the Remuneration Committee include, among others, the following:

(a) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration;

(b) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time;

(c) making recommendations to the Board on the remuneration packages of individual Directors and senior management;

(d) reviewing, recommending and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) establishing transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

During FY2017, four meetings of the Remuneration Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the remuneration package of executive Directors and senior management;
- the bonus proposal of the executive Directors; and
- granting of share options.

Remuneration Committee *(continued)*

Attendance records of the members of Remuneration Committee are set out below:

Remuneration Committee members	Meetings attended/held
Dr. Lui Sun Wing *(Chairman)*	4/4
Mr. Chan Kin Ping	4/4
Mr. Chan Yue Kwong Michael	4/4
Mr. Sin Kar Tim	4/4

Nomination Committee

The Nomination Committee comprises the Chairman of the Board and three independent non-executive Directors, namely:

Mr. Chan Yue Kwong Michael *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Kin Ping
Mr. Sin Kar Tim

The main duties of the Nomination Committee include, among others the following:

(a) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy;

(b) reviewing the Board diversity policy and the progress on achieving the objectives set for implementing the said policy;

(c) reviewing the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(d) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Group; and

(f) assessing the independence of independent non-executive Directors.

A policy on Board diversity has been reviewed by the Board and which sets out the approach to achieve the diversity of the Board. With a view to achieving a sustainable and balanced development, the Company views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates as the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Nomination Committee *(continued)*

The Nomination Committee considers that the Board's composition is balanced and diverse as the Board members involve different age groups, genders, professional experience, skills and length of service and ensure the effectiveness of the policy on Board diversity.

During FY2017, two meetings of the Nomination Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the nomination policy and the Board diversity policy;
- the structure, size and composition of the Board;
- training and professional development of Directors and senior management;
- the independence of independent non-executive Directors; and
- the rotation and re-election of Directors in the annual general meetings.

Attendance records of the members of Nomination Committee are set out below:

Nomination Committee members	Meetings attended/held
Mr. Chan Yue Kwong Michael *(Chairman)*	2/2
Dr. Lui Sun Wing	2/2
Mr. Chan Kin Ping	2/2
Mr. Sin Kar Tim	2/2

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during FY2017.

Directors of the subsidiaries of the Company and relevant employees (as defined in the Listing Rules) are also requested to comply with the Model Code in respect of their dealings in the Company's securities.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the Group's financial statements. The financial statements for FY2017 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainty relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The responsibilities of the external auditor, Ernst & Young, are set out in the Independent Auditor's Report on pages 66 to 70 of this annual report.

The Audit Committee has been notified of the nature and service charges of the non-audit services performed by Ernst & Young and considered that such services have no adverse effect on the independence of their audit works.

An analysis of the remuneration payable to Ernst & Young, in respect of audit and non-audit services for FY2017 are set out below:

Nature of services	Amount HK$'000
Audit services	1,462
Non-audit services	1,979

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its overall responsibility in ensuring the risk management and internal control systems of the Group and the Audit Committee is delegated with the authority from the Board to oversee the risk management and internal control systems in reviewing its effectiveness, and is committed to implementing a sound risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

Effective management of risks is an essential and integral part of corporate governance and it helps to ensure that the risks encountered in the course of achieving the Group's business objectives are managed within the Group's risk profile and appetite statements. The Group has adopted and designed an Enterprise Risk Management ("**ERM**") framework to assist the Audit Committee and the Board in proactively identifying the key risks, analyzing and managing the key risks with controls, and assigning risk owner for on-going monitoring and reporting, whereby an effective risk management is in place. A self-assessment of the risk management and control measurement has been conducted during FY2017 to identify the significant risks faced by the Group and indicators have been set to continuously monitor the effectiveness of the risk management functions.

An internal audit function is in place and provides an independent review of the Group's ERM and internal control systems. During FY2017, the internal audit function reviewed the risk management and internal control systems and provided reasonable assurance that material misstatements or losses were prevented, potential interruption of the Group's management system was detected, and existing risks in the course of arriving at the Group's objectives were properly managed. The review covers major controls over financial, operational and compliance, and material internal control deficiencies, if any, were set out in the internal control review report with recommendations of improvement and agreed management action plan and assessed by the Audit Committee. In particular, the internal audit function has reviewed the continuing connected transactions and confirmed that internal control procedures were in place. No significant control failings or weaknesses that have been identified during FY2017, which could have had, or may in the future have, a material impact on the Group's financial performance or condition. The internal audit function reported his review results to the Audit Committee three times during FY2017 and the Audit Committee has reviewed and ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit, accounting and financial reporting functions. The Board considers that the existing risk management and internal control systems are reasonably effective and adequate. The Board also considers that the Company's processes for financial reporting and Listing Rules compliance is effective.

INTERNAL CONTROL AND RISK MANAGEMENT *(continued)*

Regarding the procedures and internal controls over the handling and dissemination of inside information, the Group has internal policy and procedures which identify and handle with inside information by designated Director and the Company Secretary and has complied with the obligations for the disclosure of inside information under the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("**SFO**") during FY2017. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and the SFO. No material unauthorized use or untimely disclosure of the inside information was notified or reported to the Board during FY2017.

COMPANY SECRETARY

Ms. Man is the Company Secretary. The Company Secretary is responsible for reporting to the Board on day-to-day duties and responsibilities and for advising the Board on governance matters and also facilitates the induction and professional development of Directors. All Directors have access to the advice and service of the Company Secretary to ensure that all applicable rules and regulations are followed. The Company Secretary also keeps proper records of all Board meetings, Board Committee meetings and general meetings which are made available for inspection by the Directors at all reasonable times. Ms. Man's biographical details are set out in the paragraph headed "Company Secretary" in the "Directors and Senior Management" section in this annual report. Ms. Man had complied with the professional training requirement under the Listing Rules during FY2017.

SHAREHOLDERS' RIGHTS

Article 58 of the Articles states that any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" which is posted on the Company's website at www.humanhealth.com.hk.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

COMMUNICATIONS WITH SHAREHOLDERS

The Company recognises the importance of continuing communications with the Shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and the Shareholders is through the publication of the Company's interim and annual reports.

The Company's Hong Kong branch share registrar, Tricor Investor Services Limited serves the Shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for the Shareholders to exchange views with the Board. Board members and the auditor are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are sent to all Shareholders at least twenty clear business days before the annual general meeting pursuant to the Listing Rules.

All Shareholders' communications, including interim and annual reports, announcements and circulars as well as the Shareholders communication policy are available on the Company's website at www.humanhealth.com.hk. The latest business developments and core strategies of the Company can also be found on the Company's website, keeping the communications with Shareholders open and transparent.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. The Company welcomes the Shareholders, investors, stakeholders and the public to send their enquiries to our Company Secretary by addressing them to the Company's address at 11/F., TAL Building, 45-53 Austin Road, Tsim Sha Tsui, Hong Kong or by email at ir@humanhealth.com.hk or by phone at (852) 3971 8274 during normal business hours or by fax at (852) 2312 2772.

During FY2017, the Company did not make any changes to the memorandum of association and the Articles and the current version of which are available on the websites of the Stock Exchange and the Company.

Directors' Report

The Directors are pleased to present this annual report together with the audited consolidated financial statements for FY2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of comprehensive, one-stop and quality healthcare services to the public. The activities and other particulars of its principal subsidiaries are set out in note 1 to the financial statements on pages 78 to 79 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

A review of the business of the Group during FY2017 and its future development are set out in the "Management Discussion and Analysis" on pages 7 to 17 of this annual report.

There is no significant subsequent event undertaken by the Group after 30 June 2017.

FINANCIAL RESULTS AND PERFORMANCE

A financial review of the Group during FY2017 is set out in the "Management Discussion and Analysis" on pages 7 to 17 of this annual report.

The Group's profit for FY2017 and the Group's financial position at 30 June 2017 are set out in the financial statements on pages 71 to 73 of this annual report.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of HK2 cents per Share (FY2016: HK3 cents per Share) for FY2017 (the "**Final Dividend**"). The payment of the Final Dividend is subject to approval by the Shareholders at the AGM. Upon obtaining the Shareholders' approval, the Final Dividend is expected to be paid on or around Thursday, 21 December 2017 to the Shareholders whose names appear on the register of members of the Company on Thursday, 7 December 2017.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 27 November 2017 to Thursday, 30 November 2017, both days inclusive, during which no transfer of Shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 November 2017.

For the purpose of ascertaining the Shareholders' entitlement to receive the Final Dividend, the register of members of the Company will be closed from Wednesday, 6 December 2017 to Thursday, 7 December 2017, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for receiving the Final Dividend, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Tuesday, 5 December 2017.

Details of dividends for FY2017 are set out in note 10 to the financial statements on page 114 of this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during FY2017 are set out in note 24 to the financial statements on page 127 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2017 amounted to approximately HK$174.1 million of which approximately HK$7.2 million has been proposed as a final dividend for FY2017.

DONATIONS

Donations made by the Group during FY2017 amounted to approximately HK$61,000 in which HK$50,000 was donated to The Community Chest of Hong Kong.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interest of the Group for the past five financial years is set out on page 140 of this annual report. This summary does not form part of the audited financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PRINCIPAL RISKS AND UNCERTAINTIES

The operations and business of the Group may be affected by various risks and uncertainties and the principal risks and uncertainties are set out below.

Operational Risk

We are dependent on our professional team and our financial results may be affected if we are not able to engage qualified professionals to join our team or retain them. In particular, our business model relies on contractual arrangements with the general practitioner, specialist, dentist and clinical psychologist and their companies. In case any of them does not accept this arrangement, we may not be able to procure them to provide medical and dental services at our medical centres.

In addition, we operate all of our medical centres on leased properties. Any non-renewal of leases or substantial increase in rent may affect our business and financial performance.

Reputational Risk

We rely on our reputation within the healthcare service industry and our brand's image which may be adversely affected by negative publicity. Moreover, the limitation in promoting the business of our Group may affect our ability to further enhance our brand recognition or secure new business opportunity in the future.

Legal Risk

Our general practitioners, specialists and dentists are required to take out comprehensive professional indemnity insurance policies at their own costs and indemnify our Group against all claims and damages sustained by our Group caused by their acts or negligence in relation to the services carried out by them. If our Group (or together with our general practitioners, specialists and dentists) experience any situation where we are sued by our customers for damages caused by the acts or negligence of our general practitioners, specialists and dentists, we cannot guarantee that our general practitioners, specialists and dentists would have the financial capability to honour their obligation to indemnify us against all claims and damages in case professional indemnity insurance policies maintained by them would not be sufficient to cover the cost of the claims. Any costs arising therefrom could have a material adverse effect on our business, results of operations and financial condition.

Details about the Group's financial risk management are set out in note 33 to the financial statements on pages 136 to 137 of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

We embrace our employees as the most valuable assets of the Group, the objective of the Group's human resources management is to reward and recognise outstanding employees by providing competitive remuneration packages with basic salary and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities.

Customers

We are committed to safeguarding the health of the community and are always concerned about their needs. By following our motto "From Our Heart • For Your Health" (仁心 •稱心), we can provide patient-centric and quality focused services to our customers resulting in a lasting relationship with our customers.

Suppliers

The Group recognizes the importance of good relationship with its suppliers to ensure long-term sustainable growth for the Group. We strives to cultivate a mutually beneficial and trusting relationship with our suppliers and particularly this is crucial for us to engage and retain professional talents and hence provide quality services to our customers. Details of the relationship with our suppliers are set out in the section headed "Supply Chain Management" in the "ESG Report" on pages 61 to 62 of this annual report.

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

During FY2017, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors during FY2017 and up to the date of this annual report were:

Executive Directors

Mr. Chan Kin Ping *(Chairman and Chief Executive Officer)*
Dr. Pang Lai Sheung
Ms. Sat Chui Wan
Mr. Poon Chun Pong

Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

In accordance with the Articles and the Listing Rules, Dr. Pang, Ms. Sat and Mr. Michael Chan shall retire at the AGM and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out in the "Directors and Senior Management" on pages 18 to 24 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from 1 April 2016, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 1 April 2016, which may be terminated by not less than three months' notice in writing served by either party on the other.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Non-Exempt Continuing Connected Transactions" below and note 30 "Related Party Transactions" to the financial statements on pages 132 to 133 of this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party subsisted at the end of FY2017 or at any time during FY2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Max Health Chinese Medicine Limited ("**Max Health**") is a company incorporated in Hong Kong and is held as to 100% by Mr. Chan. Mr. Chan is the director of Max Health. Max Health is principally engaged in the provision of traditional Chinese medicine services and sales of health food during FY2017. Directors believe that the business of Max Health and our Group are two distinct and divergent healthcare systems based on different theories with different treatment methods and use of medication and would not have material competition. Save as disclosed above, none of the Directors have any interest in a business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS

The Group's remuneration policy aims to provide a competitive remuneration to attract, retain and motivate high quality talent, having regard to the Group's and individual's performance and comparable market trends. At the same time, such awards must be aligned with the Shareholders' interests.

Particulars of Directors' remuneration, five highest paid individuals' emoluments and staff costs are set out in notes 7 and 8 to the financial statements on pages 110 to 112 of this annual report.

The amount or value of fees and bonus (including doctors' or dentists' professional fees and remuneration as members of our doctor advisory board (as the case may be)) of the members of the senior management by bands for FY2017 is set out below:

Fees by bands	**Number of Individuals**
Nil to HK$3,000,000	2
HK$3,000,001 to HK$6,000,000	4
HK$6,000,001 to HK$9,000,000	2

No director waived any emolument during FY2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Interests in Shares or underlying Shares

Name of Director	Capacity in which Shares/underlying Shares were held	Number of Shares/underlying Shares held	Approximate percentage of total issued Shares (note v)
Mr. Chan Kin Ping	Interest in a controlled corporation (note i)	252,346,286 (note ii)	69.80%
	Beneficial owner	2,716,000	0.75%
Dr. Pang Lai Sheung	Interest in a controlled corporation (note i)	252,346,286 (note ii)	69.80%
Ms. Sat Chui Wan	Beneficial owner	960,000 (note iii)	0.27%
Mr. Poon Chun Pong	Beneficial owner	888,000 (note iv)	0.25%

Notes:

(i) Mr. Chan, Dr. Pang and Treasure Group Global Limited ("**Treasure Group**") were our controlling shareholders (as defined in the Listing Rules). Treasure Group was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Mr. Chan is the director of Treasure Group.

(ii) These Shares were beneficially owned by Treasure Group. Mr. Chan and Dr. Pang were deemed to be interested in these Share pursuant to Part XV of the SFO.

(iii) These Shares represented the underlying Shares under the share options granted on 4 October 2016.

(iv) 600,000 Shares represented the underlying Shares under the share options granted on 4 October 2016 and 288,000 Shares were beneficially owned by Mr. Poon.

(v) The percentages were calculated based on the total number of issued Shares as at 30 June 2017.

Interests in shares of Treasure Group Global Limited (the "Associated Corporation")

Name of Director	Capacity in which the shares were held	Number of shares held	Approximate percentage of total issued shares (note i)
Mr. Chan Kin Ping	Beneficial owner	1	50.00%
Dr. Pang Lai Sheung	Beneficial owner	1	50.00%

Note:

(i) The percentages were calculated based on the total number of issued shares of Treasure Group as at 30 June 2017.

All the above interests in the Shares and underlying Shares and the shares of the Associated Corporation were long positions.

Save as disclosed above, as at 30 June 2017, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or the Associated Corporation, which were required to be notified to the Company and the Stock Exchange or recorded in the register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme conditionally approved and adopted by the written resolutions of the Shareholders on 17 February 2016 (the "**Share Option Scheme**"), at no time during FY2017 was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2017, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial Shareholder	Capacity in which the Shares were held	Number of Shares held	Approximate percentage of total issued Shares(note iii)
Treasure Group Global Limited	Beneficial owner(i)	252,346,286	69.80%
Capital Healthcare International Limited	Beneficial owner(ii)	25,362,000	7.02%
Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司)	Interest of controlled corporation(ii)	25,362,000	7.02%
Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司)	Interest of controlled corporation(ii)	25,362,000	7.02%
The People's Government of Beijing Municipality	Interest of controlled corporation(ii)	25,362,000	7.02%

Notes:

(i) The Shares were beneficially owned by Treasure Group, a company which was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Therefore, Mr. Chan and Dr. Pang were deemed to be interested in such Shares pursuant to Part XV of the SFO.

(ii) The Shares were beneficially owned by Capital Healthcare International Limited, which was wholly owned by Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司). Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司) was held as to 73.13% by Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司), which was wholly owned by The People's Government of Beijing Municipality. Therefore, Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司), Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司) and The People's Government of Beijing Municipality were deemed to be interested in such Shares pursuant to Part XV of the SFO.

(iii) The percentages were calculated based on the total number of issued Shares as at 30 June 2017.

All the above interests in the Shares were long positions.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 30 June 2017, had any interests or short positions in the Shares or underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during FY2017 are set out in note 30 to the financial statements on pages 132 to 133 of this annual report. Such transactions were either (i) fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules; or (ii) non-exempt continuing connected transactions as set out in the section headed "Non-Exempt Continuing Connected Transactions" in this annual report; or (iii) did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to independent third parties and were fair and reasonable and in the interest of the Shareholders as a whole. The Company confirms that the related party transactions (as the case may be) comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Dr. Choi Tat Fai, Richard's Cooperation Agreement

Dr. Choi Tat Fai, Richard ("**Dr. Choi**") entered into the cooperation agreement with Be Health Specialist Limited ("**Be Health**", the subsidiary of the Company) for a term of three years commencing from 1 September 2015. The following is the summary of material provisions under Dr. Choi's cooperation agreement:

1. Dr. Choi's sole proprietorship shall provide specialties services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Be Health shall grant Dr. Choi's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his medical practice at our medical centres;

3. Be Health shall provide management and administrative services to Dr. Choi's sole proprietorship including, inter alia, providing supporting staff and medical equipment as well as general accounting services and administrative support; and

4. The fees charged by Be Health are equivalent to all the fees received from customers for the specialties services provided by his sole proprietorship at our medical centres.

Dr. Choi (through his sole proprietorship) shall be entitled to receive professional fee for the provision of specialties services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Choi (through his sole proprietorship), less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent specialists providing specialties services at the medical centres operated by us.

For each of the two years ending 30 June 2018, the proposed annual cap amounts for the fees payable by Be Health to Dr. Choi (through his sole proprietorship) will not exceed HK$10,000,000 in 2017 and HK$11,000,000 in 2018. For FY2017, the fees paid by Be Health to Dr. Choi amounted to approximately HK$3,448,000 and did not exceed the annual cap for the year.

Dr. Choi Tat Fai, Richard's Cooperation Agreement *(continued)*

Given that Dr. Choi is a director of Perfect Life Asia Limited and that Dr. Choi's cooperation agreement was entered into by Be Health, and Dr. Choi and his sole proprietorship, the transactions under Dr. Choi's cooperation agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Dr. Seto Siu Keung's Cooperation Agreement

Dr. Seto entered into the cooperation agreement with Poly Dental Services Limited ("**Poly Dental**", the subsidiary of the Company) for a term of three years commencing from 1 September 2015. The following is the summary of material provisions under Dr. Seto's cooperation agreement:

1. Dr. Seto's sole proprietorship shall provide dental services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;
2. Poly Dental shall grant Dr. Seto's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his dental practice at our medical centres;
3. Poly Dental shall provide management and administrative services to Dr. Seto's sole proprietorship including, inter alia, providing supporting staff and medical equipment as well as general accounting services and administrative support; and
4. The fees charged by Poly Dental are equivalent to all the fees received from customers for the dental services provided by his sole proprietorship at our medical centres.

Dr. Seto (through his sole proprietorship) shall be entitled to receive professional fee for the provision of dental services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Seto (through his sole proprietorship), less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent dentists providing dental services at the medical centres operated by us.

For each of the two years ending 30 June 2018, the proposed annual cap amounts for the fees payable by Poly Dental to Dr. Seto (through his sole proprietorship) will not exceed HK$6,780,000 in 2017, and HK$7,661,000 in 2018. For FY2017, the fees paid by Poly Dental to Dr. Seto amounted to approximately HK$4,899,000 and did not exceed the annual cap for the year.

Given that Dr. Seto is a director of each of Poly Dental, Good Standard Limited ("**Good Standard**"), Laserdontics Limited ("**Laserdontics**") and Seto & Wan Dental Centre Limited ("**Seto & Wan**") and that Dr. Seto's cooperation agreement was entered into by Poly Dental, and Dr. Seto and his sole proprietorship, the transactions under Dr. Seto's cooperation agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Dr. Lau Wai Man's Cooperation Agreement

Dr. Lau entered into the cooperation agreement with Poly Dental for a term of three years commencing from 1 September 2015. The following is the summary of material provisions under Dr. Lau's cooperation agreement:

1. Dr. Lau's sole proprietorship shall provide dental services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;
2. Poly Dental shall grant Dr. Lau's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his dental practice at our medical centres;
3. Poly Dental shall provide management and administrative services to Dr. Lau's sole proprietorship including, inter alia, providing supporting staff and medical equipment as well as general accounting services and administrative support; and
4. The fees charged by Poly Dental are equivalent to all the fees received from customers for the dental services provided by his sole proprietorship at our medical centres.

Dr. Lau (through his sole proprietorship) shall be entitled to receive professional fee for the provision of dental services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Lau (through his sole proprietorship), less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent dentists providing dental services at the medical centres operated by us.

For each of the two years ending 30 June 2018, the proposed annual cap amounts for the fees payable by Poly Dental to Dr. Lau (through his sole proprietorship) will not exceed HK$8,000,000 in 2017 and HK$9,000,000 in 2018. For FY2017, the fees paid by Poly Dental to Dr. Lau amounted to approximately HK$5,982,000 and did not exceed the annual cap for the year.

Given that Dr. Lau is a director of each of Poly Dental, Good Standard, Laserdontics and Seto & Wan and that Dr. Lau's cooperation agreement was entered into by Poly Dental, and Dr. Lau and his sole proprietorship, the transactions under Dr. Lau's cooperation agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Dr. Chan Siu Yu's Cooperation Agreement

Dr. Chan Siu Yu entered into the cooperation agreement with Human Health Medical Services Limited ("**Human Health Medical Services**", the subsidiary of the Company) for a term of three years commencing from 1 September 2015. The following is the summary of material provisions under Dr. Chan Siu Yu's cooperation agreement:

1. Dr. Chan Siu Yu's sole proprietorship shall provide general practice services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Human Health Medical Services shall grant Dr. Chan Siu Yu's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his medical practice at our medical centres;

3. Human Health Medical Services shall provide management and administrative services to Dr. Chan Siu Yu's sole proprietorship including, inter alia, providing supporting staff and medical equipment as well as general accounting services and administrative support; and

4. The fees charged by Human Health Medical Services are equivalent to all the fees received from customers for the general practice services provided by his sole proprietorship at our medical centres.

Dr. Chan Siu Yu (through his sole proprietorship) shall be entitled to receive professional fee for the provision of general practice services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Chan Siu Yu (through his sole proprietorship), less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement is commensurate to those typically offered to other independent general practitioners providing general practice services at the medical centres operated by us.

For each of the two years ending 30 June 2018, the proposed annual cap amounts for the fees payable by Human Health Medical Services to Dr. Chan Siu Yu (through his sole proprietorship) will not exceed HK$3,500,000 in 2017 and HK$4,000,000 in 2018. For FY2017, the fees paid by Human Health Medical Services to Dr. Chan Siu Yu amounted to approximately HK$2,355,000 and did not exceed the annual cap for the year.

Given that Dr. Chan Siu Yu is the nephew of Mr. Chan and Dr. Pang and that Dr. Chan Siu Yu's cooperation agreement was entered into by Human Health Medical Services, and Dr. Chan Siu Yu and his sole proprietorship, the transactions under Dr. Chan Siu Yu's cooperation agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Opinion from The Independent Non-executive Directors and Auditor on The Continuing Connected Transaction

The Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The independent non-executive Directors (with the assistance of the internal audit function) have reviewed these transactions and confirmed that the non-exempt continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2017.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 14.2% and the largest customer accounted for approximately 4.2% of the Group's total revenue for FY2017.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 13.9% and the largest supplier accounted for approximately 4.2% of the Group's total purchases for FY2017.

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the issued Shares) had an interest in the five largest suppliers or customers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules at any time during FY2017 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below in this annual report, no equity-linked agreements were entered into by the Company during FY2017 or subsisted at the end of FY2017.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the Share Option Schemes as set out below in this annual report, the Company had no outstanding convertible securities, options, warrants or similar rights as at 30 June 2017. There has been no issue or exercise of the conversion rights or subscription rights under any convertible securities, options, warrants or similar rights granted by the Company or any of its subsidiaries during FY2017.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme. Our Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of, our Group and for such other purposes as the Board may approve from time to time.

(b) Participants

The Board may, at its absolute discretion, offer eligible persons (being any director, employee (whether full time or part time), executive, officer, consultant, adviser, supplier, customer or agent of our Group or such other persons who in the sole opinion of the Board have contributed to and/or will contribute to our Group) (the "**Eligible Persons**") share options to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

The total number of Shares to be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 35,000,000 Shares, representing 10% of the total number of the Shares in issue as at 1 April 2016 and approximately 9.68% of the total number of the Shares in issue as at the date of this annual report unless further Shareholders' approval has been obtained pursuant to the requirements set out in the Share Option Scheme and the Listing Rules.

(d) Maximum entitlement of each participant

Subject to the requirements set out in the Share Option Scheme and the Listing Rules, no option shall be granted to any Eligible Person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time.

(e) Basis of determining the exercise price

The subscription price for a Share in respect of any particular share option granted under the Share Option Scheme (which shall be payable upon exercise of the share option) shall be a price solely determined by the Board and notified to the Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option (the "**Offer Date**"), which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Share.

(f) Time for acceptance and the amount payable on acceptance of the option

An offer for the grant of the share option must be accepted within 28 days from the Offer Date with a consideration of HK$1.00 is payable on acceptance of the offer.

(g) Time of exercise of option

Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, achievement of performance targets by our Group and/or the grantee period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme and the Listing Rules. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised. The exercise period shall commence after a vetting period (if any) and expire in any event not later than the last day of the 10 years period after the date on which the option is duly accepted by the grantee in accordance with the terms of the Share Option Scheme.

(h) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 1 April 2016, after which period no further options shall be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Listing Rules, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

On 4 October 2016, the Group granted share options to certain eligible persons to subscribe for 2,740,000 ordinary Shares of HK$0.01 each (the "**Share Options**") pursuant to the Share Option Scheme. The closing price of the Shares immediately before the date the Share Options were granted was HK$2.20 per Share. As at 1 July 2016, there was no outstanding Share Options. As at 30 June 2017, the 2,740,000 Share Options granted remained outstanding and no Share Options have been exercised, lapsed or cancelled during FY2017.

SHARE OPTION SCHEME *(continued)*

Details of the Share Options granted under the Share Option Scheme during FY2017 are as follow:

Name of Grantees	Position held with the Group	Offer Date	Exercise Price per Share Option	Exercise Period (Note (i))	Number of Share Options Granted during FY2017	Number of Share Options Exercised during FY2017	Number of Share Options Lapsed during FY2017	Number of Share Options Cancelled during FY2017	Number of Outstanding Share Options as at 30 June 2017
Ms. Sat Chui Wan	Executive Director, Chief Financial Officer	4 October 2016	HK$2.214	4 October 2019 to 3 October 2022	960,000	—	—	—	960,000
Mr. Poon Chun Pong	Executive Director, Chief Operating Officer	4 October 2016	HK$2.214	4 October 2019 to 3 October 2022	600,000	—	—	—	600,000
Other eligible persons (in aggregate)	—	4 October 2016	HK$2.214	4 October 2019 to 3 October 2022	1,180,000	—	—	—	1,180,000
Total					2,740,000	—	—	—	2,740,000

Note:

(i) The Share Options shall be exercisable from 4 October 2019 to 3 October 2022 (both dates inclusive) subject to a vesting scale in 3 tranches set out below:

(a) The first 33% of the Share Options shall be exercisable from 4 October 2019 to 3 October 2022;

(b) The second 33% of the Share Options shall be exercisable from 4 October 2020 to 3 October 2022; and

(c) The remaining 34% of the Share Options shall be exercisable from 4 October 2021 to 3 October 2022.

The value of the Share Options granted in FY2017 is set out in note 25 to the financial statements on pages 128 to 130 of this annual report.

PENSION SCHEME ARRANGEMENTS

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A subsidiary and a joint venture entity operating in the PRC are required to participate in defined contribution retirement schemes organised by the relevant local government authorities since incorporation.

Directors' Report

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, Directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The stated permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout FY2017.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Chan, Dr. Pang and Treasure Group (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition in favor of the Company (and as trustee for its subsidiaries) dated 15 March 2016 (the "**Deed of Non-Competition**"). The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The independent non-executive Directors, based on the confirmation from the Controlling Shareholders, consider that, during FY2017, the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Details of our environment, social and governance practices are set out in the "ESG Report" on pages 55 to 65 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2017 and up to the date of this annual report, our Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of the laws and regulations applicable to our Group that would have a material adverse effect on its business and financial position taken as a whole.

AUDITOR

Ernst & Young will retire and a resolution for their reappointment will be proposed at the AGM.

On behalf of the Board

Chan Kin Ping
Chairman

Hong Kong, 27 September 2017

* *for identification purpose only*

Environmental, Social and Governance Report

I. PREAMBLE

As a leading integrated healthcare service provider in Hong Kong, the Group pursues excellence in environmental protection and social responsibility. The Board believes that a sound environmental, social and governance structure is vital for continued sustainability and development of the Group. Meanwhile, the Group also wishes to enhance its transparency to achieve and uplift the sense of environmental protection and social caring amongst various stakeholders. This ESG Report is designed to allow Shareholders, stakeholders and the public to have a more comprehensive and profound understanding of the Group's culture. The Group is pleased to present the ESG Report to demonstrate its efforts in sustainable development for FY2017.

II. REPORTING PERIOD AND SCOPE

This ESG Report is prepared in accordance with the 《ESG Reporting Guide》 set out in Appendix 27 to the Listing Rules. This ESG Report covers the operational activities of the offices and the medical centres of the Group in Hong Kong. The reporting period of this ESG Report is for the FY2017, unless specifically stated otherwise. For corporate governance practices, please refer to the "Corporate Governance Report" on pages 25 to 37 of this annual report.

III. STAKEHOLDER ENGAGEMENT

The Group acknowledges the need and importance of the stakeholder engagement as one of the key elements in the preparation of this ESG Report. To conduct the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders, the Group has engaged its stakeholders and both internal and external stakeholders were selected based on the influence of the stakeholders and their dependence on the Group. Stakeholders with high level of influence and dependence on the Group were selected by the management of the Group. The selected stakeholders have been invited to express their views and concerns on major social and environmental issues. The stakeholder engagement procedure has been conducted through online survey. With respect to this ESG Report, the Group identified occupational health and safety measures, product and service quality, customer satisfaction and privacy policy as the issues of the highest importance to stakeholders.

After assessing the feedback from internal and external stakeholders, the Group has reviewed the sustainability strategies, practices and measures it undertook in FY2017 and highlighted the material and relevant aspects throughout this ESG Report so as to align with the stakeholders' expectations.

IV. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community. The Group stringently controls the production of air and greenhouse gas, wastewater and solid waste. The Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to air and greenhouse gas emission, discharge into water and land, and generation of hazardous and non-hazardous waste during FY2017.

A.1. Emissions

Air and Greenhouse Gases

Due to the business nature, the Group has little influence on the direct air emission. The Group understands that the greenhouse gases generation is positively correlated to the electricity consumption. Therefore, it has taken measures to reduce electricity consumption. The specific practices will be further described in subsection headed "Electricity Consumption" under the section A.2. headed "Use of Resources" of this ESG Report.

Wastewater

Wastewater produced by the Group is further discharged to the municipal wastewater treatment plant through the sewage pipe work. Since the wastewater generation is positively correlated to the water consumption, the Group has adopted specific measures to reduce the water consumption, which are further explained in the subsection headed "Water Consumption" under the section A.2. headed "Use of Resources" of this ESG Report.

Solid Wastes

Solid wastes produced by the Group mainly include domestic solid wastes and clinical solid wastes. The collection and treatment for domestic solid wastes are handled by the respective management offices. The clinical solid wastes are put in garbage bags and collected by the clinical waste collection service provider.

For clinical solid wastes, the Group has registered for the disposal of hazardous waste according to the 《Waste Disposal Ordinance》 and the 《Waste Disposal (Clinical Waste) (General) Regulation》, and engaged a qualified clinical waste collector licensed by the Environmental Protection Department to dispose clinical solid wastes such as sharp boxes which contain clinical use sharps and needles. Drug management is under purview of the purchasing department of the Group. Moreover, the internal policy of the Group aims to ensure a safe disposal of hazardous substances and wastes.

A.2. Use of Resources

Electricity Consumption

Most of its electricity consumption directly comes from the operation of medical centres. To ensure the effective use of electricity, several practices have been applied by the Group in FY2017, including the following:

- Turn office lights, computers and air-conditioners off whenever and wherever not necessary;
- Clean and maintain the office equipment regularly (such as refrigerators, air-conditioners, paper shredders, etc.) to ensure they run efficiently;
- Replace with compact fluorescent light bulbs; and
- Replace high electricity consumption appliances with energy-saving-label electric appliances.

Water Consumption

- Water consumption by the Group is entirely generated from the use by its doctors, dentists, other practitioners and staff during the working hours in offices and medical centres. Due to the business nature, practitioners and frontline staff required to have frequent hand washing to prevent disease from spreading. Therefore, the amount of water consumption (especially in medical centres) is based on clinical need and infection control measures. However, all of them are always reminded to be conscientious of water use and saving resources.

Paper Consumption

Paper is mainly used in the offices and the medical centres. To ensure efficient use of paper, the Group has endeavoured to take several measures as below:

- Set computer defaults to print double-sided when possible;
- Use electronic messages for internal information distribution and implement the spreadsheet system such as online system of application for leave and electronic payslip;
- Set a waste paper recycling bin in the offices to encourage waste paper reuse and recycle.

Packaging Materials Consumption

The medications prescribed and each drug must be packed individually in separate bags, all packing bags should have corresponding drug labels with relevant patient and drug information for identification. The daily consumption of packaging material includes mainly bags with the Group logo, drug bags, potion bottles, ointment boxes and thermo labels.

A.2. Use of Resources *(continued)*

Packaging Materials Consumption *(continued)*

To reduce packaging materials consumption, the Group has adopted the following practices:

- Reminder to the relevant employees to save packaging materials when possible;
- Designing the packaging materials to fit in the general need of medicine packaging to avoid unnecessary waste.

A.3. The Environment and Natural Resources

In order to minimise the Group's impact on the environmental and natural resources, the Group has adopted various policies as stated above to ensure the effective use of resources and uplift the sense of environmental protection within the Group.

As for the environmental impacts from the operation process, the Group's routine operation does not have significant impact on the environment. The Group will continue to adhere to the safety, harmony and green development concept and put more efforts on resource-saving and environmental-protection.

V. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

Through diversity management, the Group has established a close relationship of mutual trust and support between the Group and its employees, and has created a positive, healthy and motivated corporate culture and working environment.

During FY2017, the Group is not aware of any material noncompliance with relevant laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in Hong Kong. The Group has formulated internal staff handbooks to frontline staff and office staff in aspects of its human resources policies, such as compensation and dismissal, recruitment and promotion, working hours, rest periods, benefits and disciplines required. The human resources and administration department of the Group reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations.

B.1. Employment *(continued)*

Talent acquisition is vital to the Group's business future development. To attract high-calibre candidates, the Group offers competitive and fair compensation packages based on their experience, professional qualifications, specialised areas of study or practice and previous compliance records. The Group also makes reference to market benchmarks. In order to motivate and reward existing employees, the Group conducts a performance assessment regularly according to overall market environment, their performance and financial performance of the Group. This ensures that its employees are recognised by the Group with regard to their working efforts and have opportunities to get promoted and compensation adjustment. The Group has also adopted the share option scheme as a return sharing to those persons who has contributed to the Group, including key management personnel, in recognition of their long-term services and/or contributions to the Group. Meanwhile, any termination of employment contract would be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

The Group determines reasonable working hours and leaves for the employees. In addition to statutory holidays stipulated by the Hong Kong government such as paid annual leave, sick leave and maternity leave, employees may also be entitled to additional leave entitlements such as marriage leave, birthday leave, causal leave, compassionate leave and study leave.

As an equal opportunity employer, the Group is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities and dismissals policies are based on the factors irrespective of the employees' age, sex, marital status, pregnancy, disability, race, national or ethnic origins, nationality, religion or any other non-job related factors in all business units of the Group. The equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in accordance with local ordinances and regulations in Hong Kong.

To cultivate employees' sense of belonging, the Group offers additional employee benefits in different areas such as providing medical welfare program to its employees and their immediate family members, study allowance, continuing training courses, birthday presents and free flu vaccine injection. In addition, the Group has hosted a series of recreational activities for its employees in FY2017 such as DIY glass potting workshop, cupcake workshop, skincare seminar, stretching yoga class, Christmas party, festival foods and gifts and New Year's feast. These events have helped the employees to relieve stress, and served to strengthen the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

In terms of internal coaching and communication, effective two-way communication between the general staff and management is highly encouraged. The employees maintain timely and smooth communication with each other and management through emails, notice boards and tea gatherings. Besides, the Group also publishes internal newsletter quarterly, called "Letter to Human Health" (「盈健家書」), which reports the latest news and events of the Group for internal circulation. Barrier-free employer-employee relationship can create a productive and pleasant working environment.

B.2. Health and Safety

To provide and maintain a good working condition and a safe and healthy working environment, safety and health policies of the Group are in line with relevant laws and regulations in Hong Kong. All clinical procedures are carried out according to the procedural guidelines and related regulations for occupational safety and health regulation.

In order to enhance its employees' health awareness and work safety, the Group has formulated the related policies, such as:

- Provide guidelines on handling injuries in case of occurrence and the reporting channel;
- Maintain a good and correct posture and an appropriate eye levels with the computer screen;
- Keep the passages and working environment clean and tidy;
- Arrange the cleaning of air-conditioning systems and disinfection treatment of carpets regularly;
- Organise occupational health seminars to enhance its employees' health awareness; and
- Set up first aid kits and fire extinguishers in the working places.

The Group has also applied a range of safety measures at the medical centre level, such as proper handling of clinical and domestic wastes, routine disinfection of working place and medical equipment, management of injury-on-duty cases, fire safety guideline and infection control policy during the activation of the Alert Response Level under the Hong Kong government's "Preparedness and Response Plan", etc. Meanwhile, the Group adopts "Care for the Carer" approach that a surveillance monitoring of frontline's health is imposed if he/she has exposed to suspected infectious cases at the medical centre. Those policies enhance the Group to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment.

During FY2017, the Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards.

B.3. Development and Training

The Group maintains service quality by placing great importance on encouraging its staff to attend internal and external training programmes. For example, the Group provides a half-year training course to the probationary staff in the medical centres, which includes the daily operation of the medical centre and customer service skills. Regular and periodic assessment tests will be conducted in order to keep check the learning progress of respective staff that aims to ensure and upkeep its professionalism in the market.

In addition, the Group invites speakers and training organisations to provide training courses to staff at different levels regularly. Furthermore, the Group also provides study leaves and allowances to encourage employees to enrol external training courses. According to the annual training plan, the Group assesses and monitors the execution of its training programmes in order to provide applicable training courses to employees at different levels.

B.4. Labour Standards

The Group strictly abides the relevant labour laws and regulations in Hong Kong to prohibit any child and forced labour employment. To combat against illegal employment on child labour and forced labour, prior to confirmation of employment, the Group's human resources and administration department requires job applicants to provide valid identity documents to ensure that the applicants are lawfully employable and sign the employment contract with the employees in a complete free and safe environment to ensure that it is voluntary. The human resources and administration department of the Group is responsible to monitor and ensure compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour.

During FY2017, the Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

OPERATING PRACTICES

B.5. Supply Chain Management

As a responsible enterprise, the Group is dedicated to maintain a sustainable supply chain which makes minimal negative impacts on the environment and society. The suppliers of the Group including general practitioner, specialist, dentist, clinical psychologist, pharmaceutical products distributor and manufacturer as well as laboratory and imaging centre.

The Group engage new general practitioner, specialist, dentist and clinical psychologist based on their qualifications, experience, reputation, specialised area of study or practice, level of dedication, previous compliance records and whether they will fit into the corporate culture of the Group. All of them join the Group via entering independent contracts with the Group. They must comply with local ordinances, laws and regulations including but not limited to the Code of Professional Conduct for the Guidance of Registered Medical Practitioners issued by the Medical Council of Hong Kong and the Code of Professional Discipline for the Guidance of Dental Practitioners in Hong Kong issued by the Dental Council of Hong Kong.

The Group has established a doctor advisory board to provide trainings such as medical centre operation, patient handling and management of difficult issues and safety to incoming practitioners. The Group also provides on-the-job trainings, site visits and experience sharing for their first six months of service. Each of their performance is monitored by the doctor management team through regular meetings, clinical practice and feedbacks received from patients. Furthermore, to maintain better relationship, the Group respects every practitioners in their professional practice and is responsive to their inquiries, and provide appropriate support when necessary.

In addition, the Group ensures that all the practitioners within the Group are properly registered as medical/dental practitioners or obtain other valid practising certificates under Medical Registration Ordinance, Dentists Registration Ordinance or all other applicable laws and regulations to ensure the competence of their professional as service providers in Hong Kong.

B.5. Supply Chain Management *(continued)*

For pharmaceutical suppliers, the Group has internal purchasing management and approval policies. The main criteria of selection on pharmaceutical suppliers should be registered with Department of Health in Hong Kong ("**DOH**") and controlled by related law and regulations in Hong Kong. Other factors are also considered, such as past history of suppliers' quality, quantity, timing of delivery and source of the products, price and supplier's reputation in the industry. The Group maintains regular meeting with suppliers regarding the inventory level and monitors the news from DOH on regular basis.

As part of procurement policy, the Group will place purchase orders with the pharmaceutical products manufacturers, who may then sell their drugs through distributors. Purchasing department of the Group ensures that the pharmaceutical products the Group order are registered pharmaceutical products recognised by the Drug Office of Hong Kong.

For the selection of laboratories and imaging centres, the Group values the quality and efficiency of the services. Therefore, location, scope of service, quality, price and feedback of the professional team are the priorities in choosing a qualified laboratories and imaging centre.

B.6. Product Responsibility

As a leading private integrated healthcare service provider in Hong Kong, the Group's business activities comply with the relevant rules and regulations to maintain the proper conduct in the markets. During FY2017, the Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters.

To maintain service quality, the Group has formulated the operating manual, nursing handbook and internal guidelines for the medical centres. These cover various aspects of the operations from registration, consultation procedures, clinical practices to centre management. Apart from these manuals and handbooks, the operations team organises regular meetings with frontline staff at supervisor levels. Meeting topics include sharing of administrative practices, case studies, clinical learning and personal development subjects. Periodic audits on clinical services and review of operating guidelines are performed by respective functional managers.

To comply with the local laws and regulations, the Group has internal guidelines to ensure that the prescriptions are accurate and dispensed accordingly to the 3-check-7-rights rule.

To enhance customers' satisfaction and loyalty, the Group sets up a customer service hotline and a complaint handling mechanism whereby any enquiries and complaints are recorded and then handled by both the customer service team and the operations team. This mechanism enables the Group to timely manage each feedback/complaint so that to address imminent service needs and improvement issues accordingly. Complaints may be escalated to the legal and compliance department as and when required to ascertain customers' expectation.

B.6. Product Responsibility *(continued)*

The Group has formulated internal policy for product reporting and recall to define situations under which the need of reporting should be considered and list detailed measures to be taken. This ensures that the Group has an effective procedure to handle product recall by the DOH or the pharmaceutical products manufacturers. The procedure applies to all pharmaceutical products used by the medical centres of the Group.

The Group is committed in abiding by the Personal Data (Privacy) Ordinance in Hong Kong to ensure particularly the patients' rights are strictly protected. The Group has published Personal Information Collection Statement at each medical centre which acknowledges the patients that all the collected personal data will be treated in the strictest confidence and for designated purposes. All newly joined and existing frontline staff will be informed and reminded of the importance of Personal Data (Privacy) Ordinance in the meetings, case sharing and training classes regularly. Meanwhile, all staff including office staff, whoever will handle patient's data or medical record, must comply with the guideline of handling personal data. Only authorised personnel could access to restricted information with permission. The Group prohibits the provision of patient information to a third party without authorisation from the patients. The detailed privacy policy can be accessed at the Group's websites.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery in Hong Kong. During FY2017, the Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud and money laundering. The Group has formulated staff handbooks and conflict of interest policy for the employees. Detailed policies on prevention of its employees to receive or offer benefits in any forms to any person or institutions which may damage the Group's interest or/and reputation are stated in those internal manuals. Faced with the attractive offerings (such as cash, gifts and other items of the equivalent value) and situations, the employees should approach the human resource and administration department or the management of the Group for directions. Moreover, employees should disclose conflict of interest to the human resource and administration department for assessment.

The Group has also formulated the internal whistle-blowing policy. This policy is designed to enable the employees to report the information or practices which the employee recognises malpractice or impropriety (the "**Whistleblower**"). This policy is intended to cover concerns (such as financial malpractice or impropriety or fraud; failure to comply with a legal obligation or statutes; dangers to health and safety or the environment; criminal activity; improper conduct or unethical behavior; professional malpractice and negligence and attempts to conceal any of these) which are in the public interest and may take disciplinary actions. This policy is well designed to offer protection to the Whistleblowers and to guide the procedures for proper report and investigation.

COMMUNITY

B.8. Community Investment

Being a responsible health service provider, the Group has dedicated to provide ethical and efficient medical services and work closely with the non-governmental organisations, by providing health programs such as health talk and health assessment, to deliver professional health information to the community, raise health awareness and promote healthy lifestyle to the public.

In FY2017, the Group has participated health education programmes with Hong Kong Lutheran Social Service and Hong Kong Employment Development Service Limited. The Group has also sponsored different social activities and organisations, such as the Walk for Millions, CPCE Health Conference, Outstanding Employees Award Scheme in Elderly Service and Outstanding Industrial Attachment Scholarship of Vocational Training Council.

Furthermore, the Group is dedicated to work with different educational institutions such as participating career talks and "HKCT Life Planning Services" by Hong Kong College of Technology ("**HKCT**") from 2014 to 2017 and being a member of "Employers Consultative Committee" of HKCT since 2015. Those activities aim to provide vacancies and sharing on trend and needs in the employment market to new graduates and youngsters. The Group has supported charity by placing the donation boxes of Medecins Sans Frontieres Hong Kong and Orbis Hong Kong at medical centres.

The Group has obtained various awards in recognition of its continuous contribution to the community and as a leading healthcare services provider in Hong Kong. Some of them are listed as follows:

- "Caring Company" (商界展關懷) by The Hong Kong Council of Social Service (香港社會服務聯會) for the eighth consecutive years since 2009;
- "Happy Company" (開心工作間) by Promoting Happiness Index Foundation (香港提升快樂指數基金) and the Hong Kong Productivity Council (香港生產力促進局) for the fifth consecutive years since 2013;
- "The 6th and 7th Hong Kong Corporate Citizenship Award — Corporate Citizenship Logo" (第六屆及第七屆香港企業公民嘉許計劃—企業公民嘉許標誌) by Hong Kong Productivity Council (香港生產力促進局) in 2015 and 2016;
- "Caring Services Merit Award" (貼心服務之選優異獎) of MTR Shops Voting Campaign (投選至愛MTR Shops) by MTR Corporation Limited (香港鐵路有限公司) in 2016;
- "HKIM Market Leadership Award" (市場領袖大獎) by Hong Kong Institute of Marketing (香港市務學會) in 2015 and 2016;

B.8. Community Investment *(continued)*

- "Business Excellence Awards" (卓越商業大獎) by The Professional Validation Centre of Hong Kong Business Sector (香港商業專業評審中心) in 2016;
- "ERB Manpower Developer Award Scheme — Manpower Developer" (ERB人才企業嘉許計劃－人才企業) by the Employees Retraining Board (僱員再培訓局) since 2014 ;
- "Manpower Development Scheme - ERB Merit Award for Employers" (人才發展計劃-ERB優異僱主獎) by the Employees Retraining Board (僱員再培訓局) in 2015 and 2016;
- "Social Capital Builder Awards 2016-2018" (社會資本動力獎2016-2018) by the Community Investment and Inclusion Fund of the Labour and Welfare Bureau (勞工及福利局社區投資共享基金) in 2016;
- "Best Employers Award Scheme" (青雲有志優質企業) by Job Market Publishing Limited (求職廣場出版有限公司) in 2016 and 2017.

Those awards reaffirm the long-term efforts to embracing environmental and social responsibility in the communities in which the Group operates. The Group will continue to contribute to the development of the communities in which it serves and to carry forward its corporate culture of "From Our Heart • For Your Health" (仁心•稱心) to the general public.

Independent auditor's report

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To the shareholders of Human Health Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Human Health Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 139, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 30 June 2017, the Group recorded gross trade receivables of HK$31,451,000. Management performs an impairment assessment for trade receivables on a regular basis, which requires the use of significant estimates and judgement based on credit history and prevailing market conditions. Relevant disclosures about significant accounting judgements and estimates and the balance of trade receivables are included in notes 3 and 17 to the consolidated financial statements.	We assessed and tested the Group's processes relating to the monitoring of trade receivables, and evaluated the inputs and assumptions used by management in their impairment assessment by testing the trade receivables ageing analysis as of the end of the reporting period on a sampling basis, reviewing the payment history of debtors, subsequent settlement of the receivables and other relevant information.
Impairment of goodwill	
As at 30 June 2017, the Group had recognised goodwill of HK$31,964,000 relating to the acquisition of several subsidiaries through business combinations. Assessment on the impairment of goodwill requires significant management's estimation of the value in use of the cash-generating units to which the goodwill allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate. Relevant disclosures about significant accounting judgements and estimates and impairment testing of goodwill are included in notes 3 and 13 to the financial statements.	Our audit procedures included, inter alia, evaluating the group's policies and procedures and assessing the valuation methodology used by management to estimate value in use of the cash-generating units to which goodwill is allocated. We also evaluated the process by which management's future cash flow forecasts were prepared. In addition, we performed a sensitivity analysis and assessed the budgeted gross margins, the growth rate and expenditure assumptions with reference to the Group's historical pattern. We have also involved our internal expert to assist us in evaluating the assumptions and methodologies, including the discount rate, used in the estimation of value in use of the related cash-generating units. Furthermore, we evaluated the adequacy of disclosures on the impairment assessment.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Sai Yu.

Ernst & Young
Certified Public Accountants
Hong Kong

27 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
REVENUE	5	**481,147**	498,576
Cost of services rendered		**(254,987)**	(262,026)
Gross profit		**226,160**	236,550
Other income and gains	5	**892**	1,381
Administrative expenses		**(202,068)**	(185,370)
Other expenses	6	**—**	(15,159)
Share of losses of a joint venture		**(4,887)**	(1,604)
PROFIT BEFORE TAX	6	**20,097**	35,798
Income tax expense	9	**(7,506)**	(12,367)
PROFIT FOR THE YEAR		**12,591**	23,431
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(442)**	(763)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(442)**	(763)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,149**	22,668
Profit attributable to:			
Owners of the Company		**13,469**	23,431
Non-controlling interests		**(878)**	—
		12,591	23,431
Total comprehensive income attributable to:			
Owners of the Company		**13,027**	22,668
Non-controlling interests		**(878)**	—
		12,149	22,668
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted		**HK3.7 cents**	HK8.0 cents

Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 HK$'000	30 June 2016 HK$'000 (Restated)	1 July 2015 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	12	**15,841**	9,987	13,366
Goodwill	13	**31,964**	31,964	31,964
Other intangible assets	14	**13,435**	15,047	16,658
Investment in a joint venture	15	**13,669**	18,886	—
Deposits	18	**15,912**	17,039	5,930
Deferred tax assets	23	**1,671**	1,586	2,118
Total non-current assets		**92,492**	94,509	70,036
CURRENT ASSETS				
Inventories	16	**7,604**	6,990	7,301
Tax recoverable		**3,937**	4,115	955
Trade receivables	17	**31,451**	33,012	32,583
Prepayments, deposits and other receivables	18	**11,819**	7,879	13,517
Due from related parties	30(b)	**29**	22	581
Due from a joint venture	15	**—**	314	—
Pledged deposits	19	**2,039**	2,037	—
Cash and cash equivalents	19	**170,806**	170,233	111,799
Total current assets		**227,685**	224,602	166,736
CURRENT LIABILITIES				
Trade payables	20	**23,663**	27,209	29,242
Other payables and accruals	21	**29,008**	19,138	25,296
Dividend payable		**—**	—	49,995
Loan from a shareholder	30(b)	**—**	38,374	33,398
Due to related parties		**—**	—	1,665
Tax payables		**5,954**	13,403	9,258
Total current liabilities		**58,625**	98,124	148,854
NET CURRENT ASSETS		**169,060**	126,478	17,882
TOTAL ASSETS LESS CURRENT LIABILITIES		**261,552**	220,987	87,918

Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 HK$'000	30 June 2016 HK$'000 (Restated)	1 July 2015 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Other long term payable	21	**2,450**	3,594	431
Deferred tax liabilities	23	**2,561**	2,691	2,783
Total non-current liabilities		**5,011**	6,285	3,214
Net assets		**256,541**	214,702	84,704
EQUITY				
Equity attributable to owners of the Company				
Share capital	24	**3,615**	3,615	2,660
Reserves	26	**251,320**	211,087	82,044
		254,935	214,702	84,704
Non-controlling interests		**1,606**	—	—
Total equity		**256,541**	214,702	84,704

Mr. Chan Kin Ping
Director

Dr. Pang Lai Sheung
Director

Consolidated Statement of Changes in Equity

Year ended 30 June 2017

		Attributable to owners of the Company								
		Share capital	Share premium*	Other reserve*	Exchange reserve*	Share option reserve*	Retained profits*	Subtotal	Non-controlling interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2015										
As previously reported		2,660	58,576	(15,126)	—	—	68,889	114,999	—	114,999
Adjusted for common control combination	2.1	—	—	97	—	—	(30,392)	(30,295)	—	(30,295)
As restated		2,660	58,576	(15,029)	—	—	38,497	84,704	—	84,704
Profit for the year (restated)		—	—	—	—	—	23,431	23,431	—	23,431
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		—	—	—	(763)	—	—	(763)	—	(763)
Total comprehensive income for the year (restated)		—	—	—	(763)	—	23,431	22,668	—	22,668
Proceeds from initial public offerings	24	882	120,810	—	—	—	—	121,692	—	121,692
Capitalisation issue	24	73	(73)	—	—	—	—	—	—	—
Capitalisation of listing fee	24	—	(14,362)	—	—	—	—	(14,362)	—	(14,362)
At 30 June 2016 (Restated)		3,615	164,951	(15,029)	(763)	—	61,928	214,702	—	214,702
At 1 July 2016										
As previously reported		**3,615**	**164,951**	**(15,126)**	**(763)**	**—**	**96,698**	**249,375**	**—**	**249,375**
Adjusted for common control combination	2.1	**—**	**—**	**97**	**—**	**—**	**(34,770)**	**(34,673)**	**—**	**(34,673)**
As restated		**3,615**	**164,951**	**(15,029)**	**(763)**	**—**	**61,928**	**214,702**	**—**	**214,702**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**13,469**	**13,469**	**(878)**	**12,591**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		**—**	**—**	**—**	**(442)**	**—**	**—**	**(442)**	**—**	**(442)**
Total comprehensive income for the year		**—**	**—**	**—**	**(442)**	**—**	**13,469**	**13,027**	**(878)**	**12,149**
Adjusted for common control combination	2.1	**—**	**—**	**37,620**	**—**	**—**	**—**	**37,620**	**—**	**37,620**
Contribution from non-controlling shareholders		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,484**	**2,484**
Final 2016 dividend declared	10	**—**	**—**	**—**	**—**	**—**	**(10,845)**	**(10,845)**	**—**	**(10,845)**
Equity settled share option arrangements	25	**—**	**—**	**—**	**—**	**431**	**—**	**431**	**—**	**431**
At 30 June 2017		**3,615**	**164,951**	**22,591**	**(1,205)**	**431**	**64,552**	**254,935**	**1,606**	**256,541**

* These reserve accounts comprise the consolidated reserves of HK$251,320,000 (2016 (Restated): HK$211,087,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**20,097**	35,798
Adjustments for:			
Depreciation	6	**7,676**	7,092
Amortisation of other intangible assets	6	**1,612**	1,611
Write-down of inventories to net realisable value	6	**47**	125
Share option expenses	6	**431**	—
Share of losses of a joint venture		**4,887**	1,604
(Gain)/loss on disposal of items of property, plant and equipment	6	**(224)**	101
(Over-provision)/under-provision of reinstatement costs	22	**(187)**	260
Bank interest income	5	**(437)**	(96)
Write-back of other payables	5	**—**	(304)
		33,902	46,191
(Increase)/decrease in inventories		**(661)**	186
(Increase)/decrease in trade receivables		**1,561**	(429)
Increase in prepayments, deposits and other receivables	27	**(2,813)**	(7,681)
Movement in balances with related parties		**(7)**	(1,106)
(Increase)/decrease in an amount due from a joint venture		**314**	(314)
Decrease in trade payables		**(3,546)**	(2,033)
Increase/(decrease) in other payables and accruals		**8,123**	(2,547)
Cash generated from operations		**36,873**	32,267
Interest received		**437**	96
Hong Kong profits tax paid/refunded, net		**(14,992)**	(10,942)
Net cash flows from operating activities		**22,318**	21,421

Consolidated Statement of Cash Flows

Year ended 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**259**	—
Acquisition of a subsidiary under common control		**(2,800)**	—
Increase in deposits for property, plant and equipment		**—**	(246)
Capital investment in a joint venture		**—**	(21,196)
Purchase of items of property, plant and equipment	12, 27	**(12,714)**	(3,527)
Settlement of provision	22	**(61)**	(689)
(Increase)/decrease in time deposits with maturity of more than three months when acquired		**26,389**	(31,004)
Net cash flows from/(used in) investing activities		**11,073**	(56,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**—**	121,692
Share issuance expenses		**—**	(11,906)
Acquisition of non-controlling interests		**—**	—
Contribution from non-controlling shareholders		**2,484**	—
Increase in a shareholder loan		**2,046**	4,976
Dividend paid		**(10,845)**	(49,995)
Net cash flows (used in)/from financing activities		**(6,315)**	64,767
NET INCREASE IN CASH AND CASH EQUIVALENTS		**27,076**	29,526
Cash and cash equivalents at beginning of year		**141,266**	111,799
Effect of foreign exchange rate changes, net		**(112)**	(59)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**168,230**	141,266

Consolidated Statement of Cash Flows

Year ended 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**147,057**	116,661
Non-pledged time deposits	19	**23,749**	53,572
Cash and cash equivalents as stated in the consolidated statement of financial position		**170,806**	170,233
Pledged time deposits with maturity less than three months when acquired		**1,034**	1,033
Non-pledged time deposits with maturity more than three months when acquired		**(3,610)**	(30,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**168,230**	141,266

Notes to the Financial Statements

1. CORPORATE AND GROUP INFORMATION

Human Health Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 11th Floor, TAL Building, 45-53 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. During the year, the Group was principally engaged in the provision of comprehensive, one-stop and quality healthcare services.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Treasure Group Global Limited, a company incorporated in the British Virgin Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 April 2016 (the "**Listing**").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Actmax Limited	Hong Kong	HK$2	—	100	Provision of general practice services
Be Health Specialist Limited	Hong Kong	HK$5,000,100	—	100	Provision of specialties services
Good Standard Limited	Hong Kong	HK$10,000	—	100	Provision of dental services
Healthvision (Asia) Limited	Hong Kong	HK$1	—	100	Marketing management
Human Health Associate Limited	Hong Kong	HK$2	—	100	Provision of general practice services
Human Health (H.K.) Limited	Hong Kong	HK$2	—	100	Head office management

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid up registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Human Health Medical Services Limited	Hong Kong	HK$2	—	100	Management of agreements with doctors and dentists
Impact Medical Imaging Centre Company Limited	Hong Kong	HK$7,500,000	—	100	Provision of medical imaging services
Keen Will Aesthetics Limited △	Hong Kong	HK$2	—	82	Provision of medical aesthetic services
Laserdontics Limited	Hong Kong	HK$1	—	100	Provision of dental services
Perfect Life Asia Limited	Hong Kong	HK$1,800	—	100	Provision of general practice services
Poly Dental Services Limited	Hong Kong	HK$100	—	100	Provision of dental services
Seto & Wan Dental Centre Limited	Hong Kong	HK$2	—	100	Provision of dental services
We Health Medical Diagnostic Limited	Hong Kong	HK$1	—	100	Provision of medical diagnostic services
盈健企業管理諮詢(上海)有限公司("**Yingjian Qiye**") #	People's Republic of China ("**PRC**")/ Mainland China	Registered capital of HK$22,500,000	—	100	Investment holding

△ Incorporated on 19 August 2016.

\# Wholly-foreign-owned enterprise under PRC Law.

The above table lists the subsidiaries of the company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

2.1 COMMON CONTROL COMBINATIONS

On 1 February 2017, the Group acquired 90% and 10% equity interest in We Health International Limited and its subsidiaries ("**We Health Group**") from Mr. Chan Kin Ping and Great Praise Limited, a company beneficially owned by Dr. Pang Lai Sheung, respectively, with an aggregate consideration of HK$2.8 million. On the same day, the loan from a shareholder, Mr. Chan Kin Ping, of approximately HK$40.4 million to We Health Informational Limited was waived by Mr. Chan Kin Ping.

The Group and We Health Group were under the common control of Mr. Chan Kin Ping and Dr. Pang Lai Sheung (the "**Controlling Shareholders**") before and after the common control combinations. To consistently apply the Group's accounting policy for common control combinations, the acquisition of We Health Group has been accounted for based on the principles of merger accounting as if the acquisition had occurred on the date when the combining entities first came under the common control of the Controlling Shareholders. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 30 June 2016 and 2017 include the results and cash flows of We Health Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period.

The consolidated statements of financial position of the Group as at 1 July 2015, 30 June 2016 and 30 June 2017 have been prepared to present the assets and liabilities of the subsidiaries and/or business using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combinations.

The comparative amounts of the financial statements of the Group have been restated to include the financial statement items of We Health Group. The effect of the acquisition on and, hence, the items so restated in the comparative financial statements are summarised below:

2.1 COMMON CONTROL COMBINATIONS *(continued)*

(a) Effect on the consolidated statement of financial position as at 30 June 2016

	As previously reported HK$'000	Acquisition of We Health Group HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	8,317	1,670	—	9,987
Goodwill	31,964	—	—	31,964
Other intangible assets	15,047	—	—	15,047
Investment in a joint venture	18,886	—	—	18,886
Deposits	16,209	830	—	17,039
Deferred tax assets	1,439	147	—	1,586
Total non-current assets	91,862	2,647	—	94,509
CURRENT ASSETS				
Inventories	6,944	46	—	6,990
Tax recoverable	4,115	—	—	4,115
Trade receivables	31,996	1,016	—	33,012
Prepayments, deposits and other receivables	7,407	472	—	7,879
Due from related parties	1,614	1,304	(2,896)	22
Due from a joint venture	314	—	—	314
Pledged deposits	2,037	—	—	2,037
Cash and cash equivalents	167,656	2,577	—	170,233
Total current assets	222,083	5,415	(2,896)	224,602

2.1 COMMON CONTROL COMBINATIONS *(continued)*

(a) Effect on the consolidated statement of financial position as at 30 June 2016 *(continued)*

	As previously reported HK$'000	Acquisition of We Health Group HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
CURRENT LIABILITIES				
Trade payables	26,196	1,013	—	27,209
Other payables and accruals	17,603	1,535	—	19,138
Loan from a shareholder	—	38,374	—	38,374
Due to related parties	1,305	1,591	(2,896)	—
Tax payables	13,403	—	—	13,403
Total current liabilities	58,507	42,513	(2,896)	98,124
Net current assets/(liabilities)	163,576	(37,098)	—	126,478
Total assets less current liabilities	255,438	(34,451)	—	220,987
NON-CURRENT LIABILITIES				
Other long term payable	3,372	222	—	3,594
Deferred tax liabilities	2,691	—	—	2,691
Total non-current liabilities	6,063	222	—	6,285
Net assets	249,375	(34,673)	—	214,702
EQUITY				
Equity attributable to owners of the Company				
Share capital	3,615	97	(97)	3,615
Reserves	245,760	(34,770)	97	211,087
Total equity	249,375	(34,673)	—	214,702

2.1 COMMON CONTROL COMBINATIONS *(continued)*

(b) Effect on the consolidated statement of financial position as at 1 July 2015

	As previously reported HK$'000	Acquisition of We Health Group HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	12,136	1,230	—	13,366
Goodwill	31,964	—	—	31,964
Other intangible assets	16,658	—	—	16,658
Deposits	4,941	989	—	5,930
Deferred tax assets	1,910	208	—	2,118
Total non-current assets	67,609	2,427	—	70,036
CURRENT ASSETS				
Inventories	7,295	6	—	7,301
Tax recoverable	955	—	—	955
Trade receivables	31,888	695	—	32,583
Prepayments, deposits and other receivables	13,195	322	—	13,517
Due from related parties	1,730	640	(1,789)	581
Cash and cash equivalents	109,248	2,551	—	111,799
Total current assets	164,311	4,214	(1,789)	166,736

2.1 COMMON CONTROL COMBINATIONS *(continued)*

(b) Effect on the consolidated statement of financial position as at 1 July 2015 *(continued)*

	As previously reported HK$'000	Acquisition of We Health Group HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
CURRENT LIABILITIES				
Trade payables	28,365	877	—	29,242
Other payables and accruals	24,215	1,081	—	25,296
Dividend payable	49,995	—	—	49,995
Loan from a shareholder	—	33,398	—	33,398
Due to related parties	2,305	1,149	(1,789)	1,665
Tax payables	9,258	—	—	9,258
Total current liabilities	114,138	36,505	(1,789)	148,854
Net current assets/(liabilities)	50,173	(32,291)	—	17,882
Total assets less current liabilities	117,782	(29,864)	—	87,918
NON-CURRENT LIABILITIES				
Other long term payable	—	431	—	431
Deferred tax liabilities	2,783	—	—	2,783
Total non-current liabilities	2,783	431	—	3,214
Net assets	114,999	(30,295)	—	84,704
EQUITY				
Equity attributable to owners of the Company				
Share capital	2,660	97	(97)	2,660
Reserves	112,339	(30,392)	97	82,044
Total equity	114,999	(30,295)	—	84,704

2.1 COMMON CONTROL COMBINATIONS *(continued)*

(c) Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	As previously reported HK$'000	Acquisition of We Health Group HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
REVENUE	480,258	19,019	(701)	498,576
Cost of services rendered	(252,210)	(10,517)	701	(262,026)
Gross profit	228,048	8,502	—	236,550
Other income and gains	2,865	141	(1,625)	1,381
Administrative expenses	(174,035)	(12,960)	1,625	(185,370)
Other expenses	(15,159)	—	—	(15,159)
Share of losses of a joint venture	(1,604)	—	—	(1,604)
PROFIT/(LOSS) BEFORE TAX	40,115	(4,317)	—	35,798
Income tax expense	(12,306)	(61)	—	(12,367)
PROFIT/(LOSS) FOR THE YEAR	27,809	(4,378)	—	23,431
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	(763)	—	—	(763)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(763)	—	—	(763)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	27,046	(4,378)	—	22,668

2.2 BASIS OF PREPARATION

These financial statements have been 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 ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group adopted the following new and revised standards for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Presentation of Financial Statements: Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial impact on these financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKAS 7	*Statement of Cash Flows – Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 40	*Transfers of Investment Property*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HK (IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[2]
HK (IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[3]
HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[5]

1 Effective for annual periods beginning on or after 1 January 2017

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

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

4 No mandatory effective date yet determined but available for early adoption

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 July 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of the amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA and a mandatory effective date will be determined at a future date.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 July 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 July 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 July 2017.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of the joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of a joint venture is included as part of the Group's investment in a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of acquiree and the equity interests issued by the Group in exchange for control of acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computer	25%
Office equipment	25%
Furniture and fixtures	25%
Motor vehicles	25%
Leasehold improvements	33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademark

Trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 12 years.

Customer lists

Customer lists are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial liabilities included in other payables and accruals, dividend payable and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash which are not restricted as to use.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provision for reinstatement costs is recognised based on past experience of the actual costs incurred.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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:

(a) from the rendering of integrated healthcare services and management services, when the services are rendered; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of an overseas subsidiary and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of a subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Current tax and deferred tax

The Group is subject to income tax in Hong Kong. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. Judgement is required in determining the amount of the provision for tax as there are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 30 June 2017 was HK$31,964,000 (2016: HK$31,964,000). Further details are given in note 13 to the financial statements.

Impairment of trade receivables

The Group estimates the impairment for trade receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period. As at 30 June 2017, the carrying amount of trade receivables was HK$31,451,000 (2016 (Restated): HK$33,012,000). Further details are given in note 17 to the financial statements.

Provision for obsolete inventories and write-down of inventories to net realisable value

The Group reviews an ageing analysis of its inventories at the end of each reporting period, and makes allowances if there are obsolete and slow-moving inventory items identified that are no longer suitable for use or selling. The Group also reviews the expiration of its inventory items at the end of each reporting period, and makes allowances if there are inventory items identified that have expired. The estimated net realisable value of the Group's inventories is based primarily on the latest selling prices and current market conditions. As at 30 June 2017, the carrying amount of inventories was HK$7,604,000 (2016 (Restated): HK$6,990,000). Further details are given in note 16 to the financial statements.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) General practice services segment engages in the provision of general medical consultation and related services;

(b) Specialties services segment engages in the provision of specialist services and related medical services; and

(c) Dental services segment comprises the provision of dental services and related treatment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, management fee income from a related party, share of losses of a joint venture, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(continued)*

	General practice services		Specialties services		Dental services		Total	
	2017 **HK$'000**	2016 HK$'000 (Restated)	**2017** **HK$'000**	2016 HK$'000 (Restated)	**2017** **HK$'000**	2016 HK$'000 (Restated)	**2017** **HK$'000**	2016 HK$'000 (Restated)
Segment revenue:								
Revenue from external customers	**319,788**	342,187	**109,567**	110,358	**51,792**	46,031	**481,147**	498,576
Intersegment sales	**3,076**	3,583	**3,920**	5,593	**9**	12	**7,005**	9,188
							488,152	507,764
Reconciliation:								
Elimination of intersegment sales							**(7,005)**	(9,188)
							481,147	498,576
Segment results	**70,877**	87,453	**2,843**	7,284	**3,855**	1,756	**77,575**	96,493
Interest income							**437**	96
Management fee income from a related party							**138**	120
Corporate and unallocated income							**2**	9
Corporate and unallocated expenses							**(53,168)**	(59,316)
Share of losses from a joint venture							**(4,887)**	(1,604)
Profit before tax							**20,097**	35,798
Income tax expense	**(5,845)**	(10,550)	**(1,193)**	(709)	**(468)**	(1,108)	**(7,506)**	(12,367)
Profit for the year							**12,591**	23,431
Segment assets	**181,777**	144,902	**50,826**	47,855	**47,155**	42,048	**279,758**	234,805
Elimination of intersegment receivables							**(29,499)**	(30,045)
Corporate and other unallocated assets							**69,918**	114,351
Total assets							**320,177**	319,111

4. SEGMENT INFORMATION *(continued)*

	General practice services		Specialties services		Dental services		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		*(Restated)*		*(Restated)*
Segment liabilities	**39,341**	50,330	**15,606**	51,445	**23,849**	22,476	**78,796**	124,251
Elimination of intersegment payables							**(29,499)**	(30,045)
Corporate and other unallocated liabilities							**14,339**	10,203
Total liabilities							**63,636**	104,409
Other segment information:								
Depreciation	**1,293**	1,651	**3,493**	2,651	**1,812**	2,249	**6,598**	6,551
Amortisation of other intangible assets	**737**	737	**347**	346	**528**	528	**1,612**	1,611
Capital expenditure#	**2,297**	298	**7,261**	1,484	**1,502**	1,167	**11,060**	2,949

Capital expenditure consists of additions to property, plant and equipment.

Geographical information

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are principally located in Hong Kong, no further geographical segment information is provided.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each of the years ended 30 June 2017 and 2016.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

	2017 HK$'000	2016 HK$'000 *(Restated)*
Revenue		
Integrated healthcare services income	**481,147**	498,576
Other income and gains		
Bank interest income	**437**	96
Management fee income	**138**	120
Compensation received	**—**	685
Write-back of other payables	**—**	304
Others	**317**	176
	892	1,381

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2017** ***HK$'000***	2016 *HK$'000* *(Restated)*
Cost of pharmaceutical supplies		**40,378**	42,608
Fees payable to doctors and dentists		**211,582**	215,793
Laboratory expenses		**2,980**	3,500
Depreciation	12	**7,676**	7,092
Amortisation of other intangible assets*	14	**1,612**	1,611
(Gain)/loss on disposal of items of property, plant and equipment		**(224)**	101
Minimum lease payments under operating leases:			
Land and buildings		**63,945**	58,764
Auditor's remuneration		**1,494**	1,875
Expenses related to the Listing**		**—**	15,159
Employee benefit expense (excluding directors' remuneration (note 7)):			
Wages and salaries		**90,943**	82,583
Equity-settled share option expense		**431**	—
Pension scheme contributions		**3,933**	3,693
		95,307	86,276
Write-down of inventories to net realisable value#		**47**	125

* The amortisation of other intangible assets for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

** Recorded as other expenses as presented in the consolidated statement of profit or loss and other comprehensive income.

The write-down of inventories to net realisable value is included in cost of services rendered in the consolidated statement of profit or loss and other comprehensive income.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Fees	**540**	135
Other emoluments:		
Salaries, allowances and benefits in kind	**7,680**	6,535
Discretionary performance-related bonuses	**657**	980
Equity-settled share option expenses	**246**	—
Pension scheme contributions	**72**	72
	8,655	7,587
	9,195	7,722

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
Dr. Lui Sun Wing	**180**	45
Mr. Chan Yue Kwong Michael	**180**	45
Mr. Sin Kar Tim	**180**	45
	540	135

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

7. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance-related bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2017						
Executive directors:						
Mr. Chan Kin Ping *	—	2,160	185	—	18	2,363
Dr. Pang Lai Sheung	—	2,160	185	—	18	2,363
Ms. Sat Chui Wan	—	1,920	164	151	18	2,253
Mr. Poon Chun Pong	—	1,440	123	95	18	1,676
	—	7,680	657	246	72	8,655
2016						
Executive directors:						
Mr. Chan Kin Ping	—	1,890	—	—	18	1,908
Dr. Pang Lai Sheung	—	1,890	—	—	18	1,908
Ms. Sat Chui Wan	—	1,560	600	—	18	2,178
Mr. Poon Chun Pong	—	1,195	380	—	18	1,593
	—	6,535	980	—	72	7,587

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

* Mr. Chan Kin Ping was also the chief executive of the Company during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2016: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining one (2016: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,000**	856
Discretionary performance-related bonuses	**—**	168
Pension scheme contributions	**18**	18
	1,018	1,042

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
Less than HK$1,000,000	**—**	—
HK$1,000,001 to HK$2,000,000	**1**	1
	1	1

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been made at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for PRC corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the year (2016: Nil).

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Current		
Charge for the year	**7,915**	10,744
(Overprovision)/underprovision in prior years	**(194)**	1,183
Deferred (note 23)	**(215)**	440
Total tax charge for the year	**7,506**	12,367

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Profit before tax	**20,097**	35,798
Tax at the statutory tax rate of 16.5%	**3,316**	5,907
Adjustments in respect of current tax of previous periods	**(194)**	1,183
Income not subject to tax	**(72)**	(17)
Expenses not deductible for tax	**762**	3,022
Tax losses not recognised	**2,786**	1,078
Tax losses utilised from previous periods	**—**	(81)
Losses attributable to a joint venture	**806**	265
Others	**102**	1,010
Tax charge at the Group's effective rate of 37.3% (2016 (restated): 34.5%)	**7,506**	12,367

10. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Proposed final - HK2cents (2016: HK3 cents) per ordinary share	**7,230**	10,845

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$13,469,000 (2016 (restated): HK$23,431,000), and the weighted average number of ordinary shares of 361,502,000 (2016: 294,616,508) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 30 June 2017 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented. The Group had no potentially dilutive ordinary shares in issue during the year ended 30 June 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Computer *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor Vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
30 June 2017						
At 1 July 2016 (restated):						
Cost	5,453	32,879	4,850	1,718	29,599	74,499
Accumulated depreciation	(3,858)	(27,488)	(4,141)	(1,620)	(27,405)	(64,512)
Net carrying amount	1,595	5,391	709	98	2,194	9,987
At 1 July 2016, net of accumulated depreciation	1,595	5,391	709	98	2,194	9,987
Additions	2,294	3,819	126	—	7,326	13,565
Disposals	(8)	(27)	—	—	—	(35)
Depreciation provided during the year	(1,255)	(3,040)	(360)	(98)	(2,923)	(7,676)
At 30 June 2017, net of accumulated depreciation	2,626	6,143	475	—	6,597	15,841
At 30 June 2017:						
Cost	7,702	37,772	3,356	1,718	36,066	86,614
Accumulated depreciation	(5,076)	(31,629)	(2,881)	(1,718)	(29,469)	(70,773)
Net carrying amount	2,626	6,143	475	—	6,597	15,841

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Computer HK$'000 (Restated)	Office equipment HK$'000 (Restated)	Furniture and fixtures HK$'000 (Restated)	Motor Vehicles HK$'000 (Restated)	Leasehold improvements HK$'000 (Restated)	Total HK$'000 (Restated)
30 June 2016						
At 1 July 2015:						
Cost	4,793	31,639	5,394	1,718	31,068	74,612
Accumulated depreciation	(3,043)	(24,606)	(4,253)	(1,454)	(27,890)	(61,246)
Net carrying amount	1,750	7,033	1,141	264	3,178	13,366
At 1 July 2015, net of accumulated depreciation	1,750	7,033	1,141	264	3,178	13,366
Additions	754	1,383	40	—	1,637	3,814
Disposals	(5)	(19)	(5)	—	(72)	(101)
Depreciation provided during the year	(904)	(3,006)	(467)	(166)	(2,549)	(7,092)
At 30 June 2016, net of accumulated depreciation	1,595	5,391	709	98	2,194	9,987
At 30 June 2016:						
Cost	5,453	32,879	4,850	1,718	29,599	74,499
Accumulated depreciation	(3,858)	(27,488)	(4,141)	(1,620)	(27,405)	(64,512)
Net carrying amount	1,595	5,391	709	98	2,194	9,987

13. GOODWILL

	HK$'000
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	
Cost	31,964
Accumulated impairment	—
Net carrying amount	31,964

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is allocated to the following cash-generating units:

	2017	2016
	HK$'000	*HK$'000*
General practice services	**5,897**	5,897
Specialties services	**2,774**	2,774
Dental services	**23,293**	23,293
	31,964	31,964

General practice services cash-generating unit

The recoverable amount of the general practice services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15.5% (2016: 16.8%) for the year ended 30 June 2017. The growth rate used to extrapolate the cash flows of the general practice services cash-generating unit beyond the five-year period is 2%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the general practice services cash-generating unit believes that this growth rate is justified, given the established business model adopted by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

13. GOODWILL *(continued)*

Specialties services cash-generating unit

The recoverable amount of the specialties services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15.5% (2016: 16.8%) for the year ended 30 June 2017. The growth rate used to extrapolate the cash flows of the specialties services cash-generating unit beyond the five-year period is 2%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the specialist services cash-generating unit believes that this growth rate is justified, given the established business model adopted by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

Dental services cash-generating unit

The recoverable amount of the dental services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.5% (2016: 14.7%) for the year ended 30 June 2017. The growth rate used to extrapolate the cash flows of the dental services cash-generating unit beyond the five-year period is 2%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the dental services cash-generating unit believes that this growth rate is justified, given the medical centre network established by the Group.

Assumptions were used in the value in use calculation of the general practice services, specialties services and dental services cash-generating units for 30 June 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates – The growth rates are determined with reference to the growth rates for the relevant unit, adjusted for expected business, market development and economic condition.

The values assigned to the key assumptions on market development of industries and discount rates are consistent with external information sources.

14. OTHER INTANGIBLE ASSETS

	Trademark *HK$'000*	Customer lists *HK$'000*	Total *HK$'000*
30 June 2017			
Cost at 1 July 2016, net of accumulated amortisation	**6,545**	**8,502**	**15,047**
Amortisation provided during the year	**(634)**	**(978)**	**(1,612)**
At 30 June 2017, net of accumulated amortisation	**5,911**	**7,524**	**13,435**
At 30 June 2017:			
Cost	**7,600**	**9,780**	**17,380**
Accumulated amortisation	**(1,689)**	**(2,256)**	**(3,945)**
Net carrying amount	**5,911**	**7,524**	**13,435**
30 June 2016			
Cost at 1 July 2015, net of accumulated amortisation	7,178	9,480	16,658
Amortisation provided during the year	(633)	(978)	(1,611)
At 30 June 2016, net of accumulated amortisation	6,545	8,502	15,047
At 30 June 2016:			
Cost	7,600	9,780	17,380
Accumulated amortisation	(1,055)	(1,278)	(2,333)
Net carrying amount	6,545	8,502	15,047

15. INVESTMENT IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Share of net assets	**13,669**	18,886

In the prior year, the amount due from a joint venture included in the Group's current assets of HK$314,000 was unsecured, interest-free and repayable on demand.

On 24 April 2015, Yingjian Qiye and Ping An Health Internet Holdings Limited ("**Ping An Health**") which is a third party to the Group, have set up a limited company in the PRC named 平安盈健醫療管理(上海)有限公司 ("**Pingan Yingjian**"), which acts as the Group's medical services provider in Mainland China. Pingan Yingjian was effectively owned as to 50% by the Group and 50% by Ping An Health, and is accounted for as a joint venture of the Group.

Particulars of the Group's joint venture are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of: Ownership interest	Percentage of: Voting power	Percentage of: Profit sharing	Principal activities
平安盈健醫療管理(上海)有限公司 ("**Pingan Yingjian**")	Renminbi ("**RMB**") 35,000,000	PRC/ Mainland China	50	40*	50	Provision of medical services

* The Group is entitled to nominate two out of five directors in Pingan Yingjian. A board resolution is passed when two-third of the votes from the directors. Accordingly, none of the joint venture partner could exercise control over Pingan Yingjian.

Pingan Yingjian, which is considered a material joint venture of the Group, is accounted for using the equity method.

15. INVESTMENT IN A JOINT VENTURE *(continued)*

The following table illustrates the summarised financial information in respect of Pingan Yingan adjusted for any difference in accounting policies and reconciled to the carrying amount in the financial statements:

	2017	2016
	HK$'000	*HK$'000*
Cash and cash equivalents	**18,148**	28,006
Other current assets	**2,239**	9,681
Total current assets	**20,387**	37,687
Non-current assets	**8,515**	1,971
Financial liabilities and current liabilities	**(1,565)**	(1,886)
Net assets	**27,337**	37,772
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**13,669**	18,886
Revenue	**233**	—
Interest income	**80**	56
Depreciation	**(690)**	—
Loss and total comprehensive income for the year	**(9,774)**	(3,207)

16. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Pharmaceutical supplies	**7,604**	6,990

17. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000 (Restated)
Trade receivables	**31,451**	33,012

Most of the patients of the medical and dental practices settle in cash and credit cards. Payments by patients using medical cards or corporate customers will normally be settled within 1 to 6 months. The Group allows an average credit period of 70 days to its trade customers under other business activities. The Group seeks to maintain strict control over its outstanding receivables and has personnel to monitor the implementation of measures to minimise the credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Within 2 months	**25,122**	23,930
2 to 4 months	**4,605**	6,227
4 to 6 months	**1,378**	2,610
Over 6 months	**346**	245
	31,451	33,012

17. TRADE RECEIVABLES *(continued)*

An ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Neither past due nor impaired	**22,800**	18,543
Less than 1 month past due	**3,360**	6,285
1 to 3 months past due	**2,956**	4,354
Over 3 months past due	**2,335**	3,830
	31,451	33,012

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Prepayments	**2,461**	1,889
Deposits	**25,257**	22,685
Other receivables	**13**	344
	27,731	24,918
Less: Non-current portion	**(15,912)**	(17,039)
	11,819	7,879

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Cash and bank balances	**147,057**	116,661
Time deposits	**25,788**	55,609
	172,845	172,270
Less: Pledged time deposits for credit facilities	**(2,039)**	(2,037)
	170,806	170,233

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$4,713,000 (2016: HK$1,245,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rate. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

20. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Within 1 month	**21,482**	23,786
1 to 3 months	**2,171**	3,203
Over 3 months	**10**	220
	23,663	27,209

The trade payables are non-interest bearing and are normally settled on terms of 60 days.

21. OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Other payables	**17,802**	13,145
Accruals	**8,667**	5,201
Provision for reinstatement costs (note 22)	**4,989**	4,386
	31,458	22,732
Less: Non-current portion	**(2,450)**	(3,594)
	29,008	19,138

Other payables and accruals are non-interest bearing and are normally repayable on demand.

22. PROVISIONS

	Reinstatement costs
	HK$'000
At 1 July 2016 (Restated)	4,386
Additional provision	851
Overprovision in prior years	(187)
Amounts utilised during the year	(61)
At 30 June 2017	4,989

The Group provides for reinstatement costs for its medical centres, as estimated based on past experience of the actual costs incurred. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

23. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Accelerated depreciation allowance *HK$'000*	Business combination *HK$'000*	Total *HK$'000*
At 1 July 2015	34	2,749	2,783
Deferred tax charged/(credited) to profit or loss during the year (note 9)	174	(266)	(92)
At 30 June 2016 and 1 July 2016	208	2,483	2,691
Deferred tax charged/(credited) to profit or loss during the year (note 9)	136	(266)	(130)
At 30 June 2017	344	2,217	2,561

Deferred tax assets

	Depreciation in excess of depreciation allowance *HK$'000*
At 1 July 2015 (as restated)	2,118
Deferred tax charged to profit or loss during the year (note 9) (restated)	(532)
At 30 June 2016 (as restated) and 1 July 2016 (as restated)	1,586
Deferred tax credited to profit or loss during the year (note 9)	85
At 30 June 2017	1,671

The Group has tax losses arising in Hong Kong of HK$62,207,000 (2016 (Restated): HK$45,321,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to the shareholders.

24. SHARE CAPITAL

Shares

	2017 HK$'000	2016 HK$'000
Issued and fully paid:		
361,502,000 (2016: 361,502,000) ordinary shares at HK$0.01 each	**3,615**	3,615

The Company has authorised share capital of HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each.

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 July 2015	266,000,000	2,660	58,576	61,236
Issue of shares upon listing (Note a)	76,680,000	767	105,052	105,819
Capitalisation upon listing (Note b)	7,320,000	73	(73)	—
Shares issued under the over-allotment option (Note c)	11,502,000	115	15,758	15,873
Capitalisation of listing fee	—	—	(14,362)	(14,362)
At 30 June 2016, 1 July 2016 and 30 June 2017	361,502,000	3,615	164,951	168,566

Notes:

(a) On 1 April 2016 (the "**Listing Date**"), 76,680,000 new shares of HK$0.01 each were issued at a price of HK$1.38 per share in connection with the Company's initial public offering on the Stock Exchange. The proceeds of HK$767,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$105,052,000 (before deduction of share issue expenses) were credited to the share premium account.

(b) Pursuant to a written resolution of the shareholders of the Company passed on 17 February 2016, a total of 7,320,000 shares of HK$0.01 each were allotted and issued at par value to the shareholders as of the date immediately before the Listing Date on a pro rata basis by way of capitalisation of HK$73,200 from the Company's share premium account on the Listing Date.

(c) On 21 April 2016, 11,502,000 shares at HK$0.01 each under the over-allotment option were exercised at a price of HK$1.38 per share. The proceeds of HK$115,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$15,758,000 (before deduction of share issue expenses) were credited to the share premium account.

25. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 17 February 2016, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of the Group. Eligible participants of the Scheme include any director, employee (whether full time or part time), executive, officer, consultant, adviser, supplier, customer or agent of the Group or such other persons who in the sole opinion of the Company's board of directors have contributed to and/or will contribute to the Group. The Scheme became effective on 1 April 2016, the date of the Listing, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of Shares which may be issued upon exercise of all share options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue at the Listing Date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period shall not exceed 1% of the shares of the Company in issue up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at the date of grant or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period (if any) and ends on a date not later than the last day of the 10 year period after the date on which the option is duly accepted by the grantee in accordance with the terms of the Scheme.

The exercise price of share options is determinable by the directors, but must be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

25. SHARE OPTION SCHEME *(continued)*

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Year ended 30 June			
	2017		2016	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 July	**—**	**—**	—	—
Granted during the year	**2.214**	**2,740**	—	—
At 30 June	**2.214**	**2,740**	—	—

The exercise prices and exercise periods of the share options outstanding as at 30 June 2017 (2016: Nil) are as follows:

Number of options	**Exercise price ***	**Exercise period**
'000	**HK$ per share**	
904	2.214	4-10-19 to 3-10-22
904	2.214	4-10-20 to 3-10-22
932	2.214	4-10-21 to 3-10-22
2,740		

* The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$2,251,000 (2016: Nil), of which the Group recognised a share option expense of HK$431,000 during the year ended 30 June 2017 (2016: Nil).

25. SHARE OPTION SCHEME *(continued)*

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

		Options granted on 4 October 2016
Underlying stock price		HK$2.19
Exercise price		HK$2.214
Contractual option life		6 years
Risk-free rate		1.25%
Expected dividend yield		0.00%
Expected volatility of underlying shares		38%
Exercise multiple	Directors:	2.80
	Employees:	2.20
Weighted average estimated fair value for each share option	Directors:	HK$0.8236
	Employees:	HK$0.8184

Expected volatility was determined by using the historical volatility of the share prices of the companies that is in the similar industry as the Company over the previous years. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 2,740,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,740,000 additional ordinary shares of the Company and additional share capital of HK$27,000 (before issue expenses) and share premium of HK$8,290,000 (after transfer of the share options' fair value from the share option reserve upon exercise).

At the date of approval of these financial statements, the Company had 2,740,000 share options outstanding under the Scheme, which represented approximately 0.8% of the Company's shares in issue as at that date.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 74 of the financial statements.

27. NOTES TO THE STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year, the acquisition of property, plant and equipment included the provision of reinstatement costs of HK$851,000 (2016: HK$287,000) included in the other payables and accruals.

(b) During the year ended 30 June 2016, share issue expenses of HK$2,456,000 were transferred from prepayments, deposits and other receivables.

28. OPERATING LEASE ARRANGEMENTS

As lessee

The Group has leased certain of its medical centres and office properties under operating lease arrangement. Leases for properties are negotiated for terms ranging from one to five years.

At 30 June 2017, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Within one year	**57,792**	49,876
In the second to fifth years, inclusive	**33,955**	46,630
	91,747	96,506

29. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments.

	2017	2016
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Medical equipment	**180**	—
IT equipment	**—**	629
	180	629

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Relationship	*Nature*	**2017** **HK$'000**	2016 HK$'000 (Restated)
Max Health Chinese Medicine Limited	(1)			
Management fee income		(i)	**138**	120
Maxland Limited	(2)			
Rental expenses		(ii)	**3,050**	3,564
Fees payable to doctors and dentists who are related parties	(3)	(iii)	**44,163**	47,512
Prime Asia Limited	(4)			
Service fee income		(iv)	**12**	15

Nature of transactions

(i) The management fee income was received from this party for the provision of general administrative and accounting services thereto by the Group. The fee has been charged based on an allocation of the headquarter expenses incurred by the Group to this related party based on the number of service points.

(ii) The rental expenses were charged by this related party for the lease of four medical centres at a total amount of HK$308,000 (2016 (Restated): HK$297,000) per month, on a mutually agreed basis, which approximated to market rates. The rental expenses included the rent paid by We Health Group to Maxland Limited amounted to HK$960,000 and HK$320,000 for the year ended 30 June 2016 and 2017, respectively, to reflect the effect of common control combinations.

(iii) The fees represented the professional fees payable to these doctors and dentists for their professional services rendered to the Group. The fees were determined based on the terms as set out in the respective service contracts entered into by the parties and at a rate considered by the directors to be the market rate.

(iv) The service fee income received from this related party represented medical services provided to the staff of this related party pursuant a corporate medical agreement entered into between parties. The terms offered to this related party are comparable to those offered to other external customers.

Relationship of related parties

(1) Mr. Chan Kin Ping, a controlling shareholder of the Company, was the beneficial shareholder of this related party.

(2) Mr. Chan Kin Ping and Dr. Pang Lai Sheung, controlling shareholders of the Company, have beneficial interests in this related party.

(3) These doctors and dentists are also directors of certain subsidiaries of the Group, senior management of the Group or close member of controlling shareholder of the Company.

(4) A director of one of the Group's subsidiaries is also the beneficial shareholder of this related party.

30. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Due from related parties			
Max Health Chinese Medicine Limited	(i)	**29**	20
Prime Asia Limited	(ii)	**—**	2
		29	22
Loan from a shareholder	(iii)	**—**	38,374

(i) This related party is beneficially owned by the controlling shareholders of the Group.

(ii) A director of one of the Group's subsidiaries is the beneficial shareholder or has exercised controls of this related party.

(iii) The loan from a shareholder was unsecured, interest-free and had no fixed terms of repayment and was waived by the shareholder upon the acquisition of the We Health Group.

Balances with these related parties and the loan from a shareholder are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**8,337**	7,515
Equity-settled share option expenses	**246**	—
Pension scheme contributions	**72**	72
	8,655	7,587

Further details of directors' emoluments are included in note 7 to the financial statements.

The related party transactions in respect of note (a) items (i), (ii) and (iv) and fees payable to Dr. Chan Siu Yu, Dr. Choi Tat Fai, Richard, Dr. Lau Wai Man and Dr. Seto Siu Keung included in item (iii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Loans and receivables	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Financial assets included in prepayments, deposits and other receivables	**25,270**	23,029
Trade receivables	**31,451**	33,012
Due from a joint venture	**—**	314
Due from related parties	**29**	22
Pledged deposits	**2,039**	2,037
Cash and cash equivalents	**170,806**	170,233
	229,595	228,647

Financial liabilities

	Financial liabilities at amortised cost	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Financial liabilities included in other payables and accruals	**3,950**	4,009
Trade payables	**23,663**	27,209
Loan from a shareholder	**—**	38,374
	27,613	69,592

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amount and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

As at 30 June 2017

	Carrying amount *HK$'000*	**Fair value** *HK$'000*
Deposits, non-current portion	**15,912**	**15,912**

As at 30 June 2016 (Restated)

	Carrying amount *HK$'000*	Fair value *HK$'000*
Deposits, non-current portion	17,039	17,039

Management has assessed that the fair values of the current portion of deposits, other receivables, trade receivables, an amount due from a joint venture, amounts due from and to related parties, loan from a shareholder, cash and cash equivalents, trade payables and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts.

The Group did not have any financial assets and liabilities measured at fair value as at 30 June 2017 and 30 June 2016.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risk arising from Group's financial instruments are credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets included in other receivables, and amounts due from related parties, the Group's exposure to the credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

Liquidity risk

The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period based on the contractual undiscounted payments is as follows:

	On demand	Less than 3 months	3 to less than 12 months	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2017				
Financial liabilities included in other payables and accruals	**—**	**3,950**	**—**	**3,950**
Trade payables	**—**	**23,663**	**—**	**23,663**
	—	**27,613**	**—**	**27,613**
As at 30 June 2016 (Restated)				
Financial liabilities included in other payables and accruals	—	4,009	—	4,009
Trade payables	—	27,209	—	27,209
Loan from a shareholder	38,374	—	—	38,374
	38,374	31,218	—	69,592

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2017 and 30 June 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, other payables and accruals and a loan from a shareholder, less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**23,663**	27,209
Other payables and accruals	**31,458**	22,732
Loan from a shareholder	**—**	38,374
Less: Cash and cash equivalents and pledged deposits	**(172,845)**	(172,270)
Net cash	**(117,724)**	(83,955)
Equity attributable to owners of the Company	**254,935**	214,702
Capital and net debt	**137,211**	130,747
Gearing ratio	**N/A**	N/A

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**99**	99
CURRENT ASSETS		
Prepayments, deposits and other receivables	**204**	667
Amounts due from subsidiaries	**125,182**	64,621
Dividend receivable from a subsidiary	**15,000**	40,000
Cash and cash equivalents	**38,137**	77,847
Total current assets	**178,523**	183,135
CURRENT LIABILITIES		
Other payables and accruals	**814**	879
Amount due to a subsidiary	**—**	280
Total current liabilities	**814**	1,159
NET CURRENT ASSETS	**177,709**	181,976
Net assets	**177,808**	182,075
EQUITY		
Share capital	**3,615**	3,615
Reserves (Note)	**174,193**	178,460
Total equity	**177,808**	182,075

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 July 2015	58,576	99	—	(7,468)	51,207
Profit and total comprehensive income for the year	—	—	—	20,878	20,878
Issue of shares upon listing	105,052	—	—	—	105,052
Shares issued under the over-allotment option	15,758	—	—	—	15,758
Capitalisation of listing fee	(14,362)	—	—	—	(14,362)
Capitalisation issue	(73)	—	—	—	(73)
At 30 June 2016 and 1 July 2016	164,951	99	—	13,410	178,460
Profit and total comprehensive income for the year	—	—	—	6,147	6,147
Final 2016 dividend declared	—	—	—	(10,845)	(10,845)
Equity-settled share option arrangements	—	—	431	—	431
At 30 June 2017	164,951	99	431	8,712	174,193

35. COMPARATIVE AMOUNTS

As further explained in note 2.1, certain comparative amounts have been restated as a result of the adoption of merger accounting for the common control combinations taking place during the year.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 September 2017.

Five Years' Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from published audited financial statements and restated/reclassified as appropriate, is set out below:

	Year ended 30 June				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
				(Restated)	
Revenue	333,933	365,246	429,538	498,576	**481,147**
Net profits attributable to					
Owners of the parent	34,093	38,748	33,727	23,431	**13,469**
Non-controlling interest	2,535	2,009	1,991	—	**(878)**
	36,628	40,757	35,718	23,431	**12,591**

	As at 30 June				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
				(Restated)	
Total assets	142,267	154,130	231,920	319,111	**320,177**
Total liabilities	(48,496)	(56,082)	(116,921)	(104,409)	**(63,636)**
Non-controlling interest	(8,162)	(9,744)	—	—	**(1,606)**
	85,609	88,304	114,999	214,702	**254,935**

Note:

1. The financial information for the year ended 30 June 2016 has been restated to reflect the effect of adoption of merger accounting for common control combinations during the year ended 30 June 2017. The financial information for the three years ended 30 June 2013, 2014 and 2015 has not been adjusted.