

MediNet

Group Ltd

醫匯集團有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8161

2024

ANNUAL REPORT 年報



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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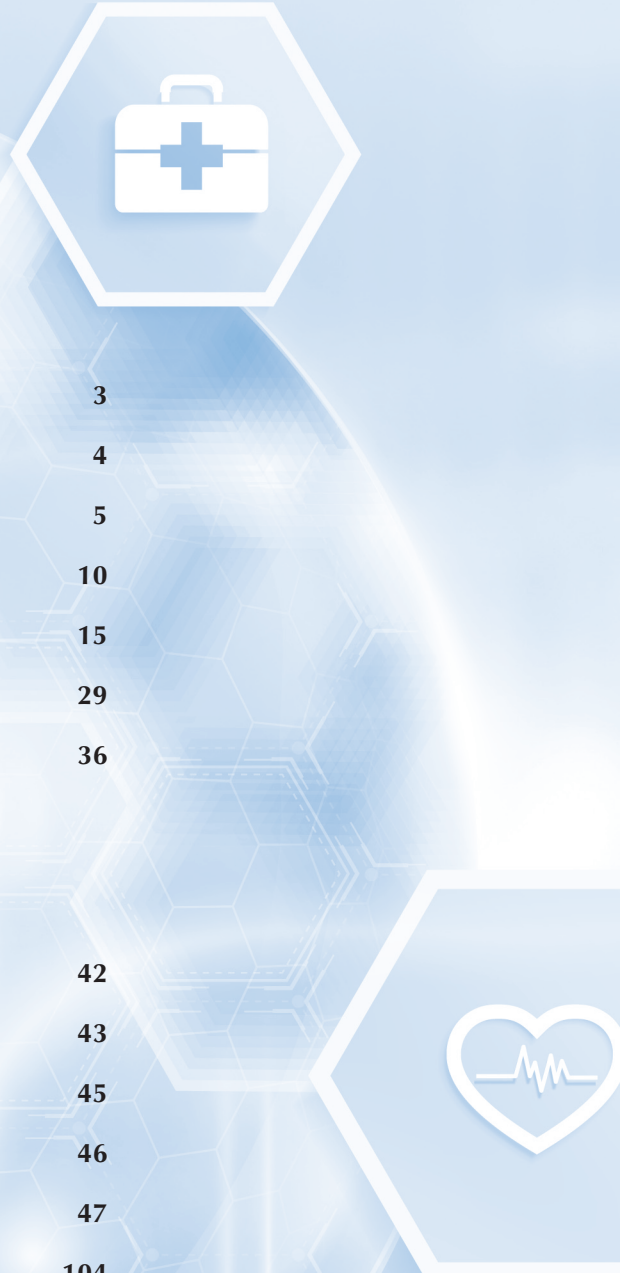
*This report, for which the directors (the “**Directors**”) of MediNet Group Limited (the “**Company**” together with the subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities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

This report will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its publication and the Company’s website at www.MediNetGroup.com.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Mr. Leung Po Hon
Mr. Wong Wai Leung
Mr. Kwok Sze Chi (resigned with effect from 2 July 2024)
Mr. Ng Wai Hung (appointed with effect from 2 July 2024)

AUDIT COMMITTEE MEMBERS

Mr. Leung Po Hon (*Chairman*)
Mr. Wong Wai Leung
Mr. Kwok Sze Chi (resigned with effect from 2 July 2024)
Mr. Ng Wai Hung (appointed with effect from 2 July 2024)

NOMINATION COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

COMPLIANCE OFFICER

Mr. Chan Chi Wai, Nelson

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

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

LEGAL ADVISER

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

INDEPENDENT AUDITOR

D & PARTNERS CPA LIMITED
Certified Public Accountants

Registered Public Interest Entity Auditor
Room 2201, 22/F, West Exchange Tower
322 Des Voeux Road Central
Sheung Wan
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3601, 36/F, Citicorp Centre
18 Whitfield Road, Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F., Far East Finance Centre,
16 Harcourt Road, Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY WEBSITE

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

STOCK CODE

8161

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Director(s)**”), I am delighted to present this annual report of MediNet Group Limited (the “**Company**”, together with its subsidiaries the “**Group**”) to you.

On behalf of the Board, I am pleased to present the annual report of the Company for the year ended 31 March 2024 (“**FY2023/24**”).

A YEAR OF REVIEW

The management has been actively exploring business opportunities, so that we can diversify our source of revenue. Meanwhile, we will maintain a close relationship with our existing clientele.

I have confidence that now with the novel coronavirus (“**COVID-19**”) pandemic under control and all the COVID-19 restrictions being lifted, our business will be able to regain the strength and the revenue will be increased back to the normal range gradually.

PROSPECTS

Going forward, we will continue to focus on providing medical and dental services to corporate clients and mass market.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all shareholders, customers and business partners for their unwavering trust and support and to our dedicated staff for their close cooperation, the devotion to work and the selfless contribution to the Group.

Chan Chi Wai, Nelson

Chairman

25 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

MediNet is one of the well-known corporate healthcare solution providers in Hong Kong for more than 27 years. We are principally engaged in the provision of medical and dental solutions to corporation and insurance companies. Based on the client's need, budget and scope of healthcare benefits desire, we provide customized, reliable, coordinated, comprehensive healthcare solutions for our contract customers. We also self-operate six dental clinics, two medical centres and one genetics laboratory centre in Hong Kong and one dental clinic in Shenzhen. Our goal is to help our clients to build a strong body and maintain their health while facing different goals and challenges in their everyday lives.

The Group's revenue was approximately HK\$116.2 million for the year ended 31 March 2024 ("FY2023/24"), as compared with approximately HK\$110.4 million for the year ended 31 March 2023 ("FY2022/23"), representing an increase by approximately 5.3% or approximately HK\$5.8 million. The loss for the year attributable to owners of the Company was approximately HK\$8.1 million for FY2023/24 (FY2022/23: loss attributable to owners of the Company approximately HK\$24.9 million). The decrease in loss was mainly due to the recognition of impairment loss on goodwill of approximately HK\$1.9 million for FY2023/24 (FY2022/23: approximately HK\$17.6 million) in relation to Master Clever Limited, a subsidiary of the Company, which engaged in the provision of dental service business and the recognition of impairment loss on property plant and equipment and right-of-use asset of approximately HK\$0.9 million for FY2023/24 (FY2022/23: approximately HK\$9,000). The net decrease in impairment losses as aforesaid in the aggregate amount of approximately HK\$15.7 million resulted in the decrease in loss of the Group for FY2023/24 as compared to FY2022/23.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 5.3% from approximately HK\$110.4 million for FY2022/23 to approximately HK\$116.2 million for FY2023/24. The following table sets forth a breakdown of the Group's revenue with comparative figures:

	FY2022/23 HK\$'000	FY2023/24 HK\$'000	%
Medical solutions to contract customers	27,698	40,361	45.7%
Medical services to self-paid patients	17,533	25,176	43.6%
Dental solutions to contract customers	7,113	5,525	-22.3%
Dental services to self-paid patients	58,048	45,186	-22.2%
	110,392	116,248	

The revenue of medical solutions to contract customers increased by approximately 45.7% from approximately HK\$27.7 million for FY2022/23 to approximately HK\$40.4 million for FY2023/24, which was primarily due to the increase of patients visiting our affiliated doctors and auxiliary services providers and the increase in the number of contract customers.

The revenue of medical services to self-paid patients increased by approximately 43.6% from approximately HK\$17.5 million for FY2022/23 to approximately HK\$25.2 million for FY2023/24 which was primarily due to the increase in demand from self-paid patients for certain body check up, other testing procedures and vaccination services etc.

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue of dental solutions to contract customers decreased by approximately 22.3% from approximately HK\$7.1 million for FY2022/23 to approximately HK\$5.5 million for FY2023/24, which was mainly attributable to the decrease in the number of contract customers and individuals for dental solutions services.

The revenue of dental services to self-paid patients decreased by approximately 22.2% from approximately HK\$58.0 million for FY2022/23 to approximately HK\$45.2 million for FY2023/24 which was primarily due to the decrease in the number of visits from patients seeking secondary dental services.

Other income

Other income decreased from approximately HK\$3.5 million for FY2022/23 to approximately HK\$561,000 for FY2023/24 which was mainly due to the absence of the employment support scheme of the Hong Kong Government to subsidise the salary payment of the Company.

Other gains and losses

Other losses decreased by approximately HK\$15.3 million from approximately HK\$17.9 million for FY2022/23 to approximately HK\$2.6 million for FY2023/24 which was mainly due to the recognition of impairment loss on goodwill of approximately HK\$1.9 million for FY2023/24 (FY2022/23: approximately HK\$17.6 million) in relation to Master Clever Limited, a subsidiary of the Company, which engaged in the provision of dental service business.

Medical and dental professional services expenses

Medical and dental professional services expenses primarily comprise fees paid to (i) affiliated doctors and affiliated auxiliary services providers rendered within our network of affiliated clinics, medical centres, dental clinics and affiliated auxiliary service providers (the “**MediNet Network**”); (ii) external dentists and doctors engaged by the Group; and (iii) third party laboratories for services provided to the Group.

The Group’s medical and dental professional services expenses increased by approximately 17.2% from approximately HK\$42.9 million for FY2022/23 to approximately HK\$50.3 million for FY2023/24 which was in line with the increase in the Group’s revenue.

Staff cost

Staff cost slightly decreased by approximately 1.6% from approximately HK\$37.8 million for FY2022/23 to approximately HK\$37.2 million for FY2023/24. The decrease was primarily due to the decline of the employees salary level in average during FY2023/24.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately 26.1% from approximately HK\$2.3 million for FY2022/23 to approximately HK\$1.7 million for FY2023/24.

Depreciation of right-of-use assets

The depreciation of right-of-use assets decreased from approximately HK\$9.4 million for FY2022/23 to approximately HK\$8.0 million for FY2023/24.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of medical and dental supplies

Cost of medical and dental supplies decreased by approximately 13.0% from approximately HK\$10.8 million for FY2022/23 to approximately HK\$9.4 million for FY2023/24 which was primarily due to the decrease in the amounts of dental consumables to patients.

Rental expenses

Rental expenses decreased by approximately HK\$1.0 million from approximately HK\$1.9 million for FY2022/23 to approximately HK\$0.9 million for FY2023/24 which was primarily due to rental payment for short-term leases under the adoption of HKFRS 16 where lease payments on short-term lease are recognised as expenses on a straight-line basis over the lease term.

Other expenses

Other expenses primarily comprise (i) general overhead and administrative expenses such as repair and maintenance expenses, printing costs and insurance expenses etc; (ii) professional and legal fees; (iii) utilities expenses; and (iv) bank charges mainly relating to credit card and instalment charges from bank. Other expenses slightly decreased by approximately 1.4% from approximately HK\$14.2 million for FY2022/23 to HK\$14.0 million for FY2023/24. Such decrease was primarily due to the effective cost control implemented by the Group on general expenses.

Amortisation of other intangible assets

There was no amortisation of other intangible assets for FY2023/24 (FY2022/23: approximately HK\$1.6 million).

Income tax expense

The Group recorded income tax expense of approximately HK\$105,000 for FY2023/24 (FY2022/23: income tax credit of approximately HK\$313,000), which was primarily due to the increase in tax assessable income.

Liquidity and financial resources

As at 31 March 2024, the Group had total assets of approximately HK\$42.0 million (2023: approximately HK\$42.9 million), which is financed by total liabilities and equity attributable to owners of the Company (comprising share capital and reserves) of approximately HK\$38.8 million (2023: approximately HK\$31.5 million) and approximately HK\$3.6 million (2023: approximately HK\$11.8 million), respectively.

The current ratio as at 31 March 2024 was approximately 0.8 times (2023: approximately 0.9 times).

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2023/24. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements from time to time.

Foreign exchange exposure

Most of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. The Group had not maintained any hedging policy against the foreign currency risk. However, the management will consider hedging significant currency exposure should the need arise.

Capital structure

As at 31 March 2024, the Company's issued share capital was HK\$10,400,000 and the number of its ordinary shares was 41,600,000 of HK\$0.25 each. The Company did not have any treasury shares as at 31 March 2024.

Segment information

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

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

The Group did not have other significant investment held, future plans for material investment and capital assets as at 31 March 2024.

Material acquisitions and disposal of subsidiaries, associated and joint ventures

During FY2023/24, the Group did not have any material acquisition or disposal of subsidiaries, associated and joint ventures.

Contingent liabilities

As at 31 March 2024, the Group did not have any material contingent liabilities (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

The table below is a breakdown of the number of our full time/part-time employees, contract dentists and dental hygienists by functions as at 31 March 2023 and 31 March 2024:

	2023	2024
Director & Senior Management	8	8
Employed and Contract Dentists	18	19
Employed and Contract Dental Hygienists	6	6
Dental Nurses	37	38
Dental supporting staff	9	7
Medical Doctors	1	2
Medical Nurses	10	10
Medical supporting staff	2	3
Other supporting staff (Note)	16	16
PRC Dentists	2	2
PRC Nurses	2	2
PRC supporting staff	1	1
Total	112	114

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

For FY2023/24, the relevant staff cost including Directors' remuneration in the form of salaries and other benefits was approximately HK\$37.2 million (FY2022/23: approximately HK\$37.8 million).

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

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

Ms. Jiang Jie

Independent Non-executive Directors

Mr. Leung Po Hon

Mr. Wong Wai Leung

Mr. Kwok Sze Chi (resigned with effect from 2 July 2024)

Mr. Ng Wai Hung (appointed with effect from 2 July 2024)

Board of Directors

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

Executive Directors

Mr. CHAN Chi Wai, Nelson (陳志偉), aged 67, is the chairman of the Board, an executive Director, our compliance officer and one of the controlling shareholders of the Company. He is responsible for the overall business development and financial and strategic planning of the Group. He was appointed as a Director on 20 August 2015 and was re-designated as our executive Director, chairman of the Board and compliance officer on 19 May 2016. He is also a director of all of the subsidiaries of the Company.

Mr. Chan has more than 35 years of experience in the corporate medical and dental solutions industry in Hong Kong. Prior to founding the Group in 1994, Mr. Chan had been employed by Bupa Ltd (at which his last position was manager) from 1983 to 1988 and HSBC Medical Insurance Limited (formerly known as Carlingford Medical Insurance Limited) (at which his last position was Medical Insurance Consultant) from 1989 to 1993. Mr. Chan received a Master of Business Administration from Buckinghamshire New University in February 2017 through distance learning. Mr. Chan is the spouse of Ms. Jiang, an executive Director.

As at 31 March 2024, Mr. Chan is interested in 23,400,000 Shares, representing 56.25% of the entire issued share capital of the Company. Save as disclosed, Mr. Chan does not have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. JIANG Jie (姜洁), aged 42, is an executive Director and is principally responsible for our business development and customer relationship management. Ms. Jiang was appointed as a Director on 20 August 2015 and was re-designated as our executive Director on 19 May 2016. She is also a director of all of the subsidiaries of the Company, except for Well Being Dental Services Limited and Master Clever Ltd.

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

Ms. Jiang joined the Group in September 2009 and has since then accumulated more than 10 years of experience in the operation of the Group. Since joining the Group, Ms. Jiang has been in charge of our business development and customer relationship management, including but not limited to the liaison with existing and potential customers as well as other business development activities such as our corporate websites operation and the distribution of brochures and pamphlets in our MediNet Centres and dental clinics. Ms. Jiang is the spouse of Mr. Chan.

As at 31 March 2024, Ms. Jiang is deemed to be interested in 23,400,000 Shares, representing 56.25% of the entire issued share capital of the Company. Save as disclosed, Ms. Jiang does not have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Each of Mr. Chan and Ms. Jiang has entered into a service contract with the Company and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Independent Non-executive Directors

Mr. LEUNG Po Hon (梁寶漢), aged 60, was appointed as an independent non-executive Director on 19 May 2016. Mr. Leung is currently a practicing accountant. Mr. Leung was admitted as a member of the HKICPA in January 1993 and a fellow member of the Association of Chartered Certified Accountants since January 1997.

Mr. Leung graduated from The Hong Kong Polytechnic University with a Professional Diploma in Accountancy in November 1987. He also obtained a Master's degree of Business Administration from University of Bradford, the United Kingdom in December 1990. Mr. Leung has more than 25 years of experience in accounting, auditing and financial management.

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

Company	Stock code	Position previously held by Mr. Leung	Appointment date	Resignation date
Flying Financial Service Holdings Limited	8030	Independent non-executive director	15 August 2014	19 November 2020
Kingbo Strike Limited	1421	Independent non-executive director	13 November 2015	19 January 2024

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. WONG Wai Leung (黃偉樑), aged 46, was appointed as an independent non-executive Director on 19 May 2016. Mr. Wong is currently an executive director, the chief financial officer and company secretary of Qinqin Foodstuffs Group (Cayman) Company Limited, a company principally engaging in the manufacturing, distribution and sale of food and snacks products in the PRC, since March 2016 up to the present and is responsible for corporate development, investment, accounting and financial matters. He is also a director of Lianjie Sports Investments Limited, a private company which manages investments and trusts for a family office. He was previously employed by Ernst & Young Hong Kong from September 2000 to August 2009. He has been a member of the HKICPA since July 2004 and a fellow member of the Association of Chartered Certified Accountants since September 2010.

Mr. Wong received a Bachelor of Business Administration degree from The Hong Kong University of Science and Technology in Hong Kong in November 2000. He has over 20 years of experience in accounting, auditing and financial management.

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

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

Mr. Wong was an independent non-executive director of Zhongchang International Holdings Group Limited (stock code: 859), from 13 May 2020 to 12 May 2021.

Mr. KWOK Sze Chi (郭思治), aged 69 was appointed as an independent non-executive Director on 1 July 2021 and resigned as an independent non-executive Director with effect from 2 July 2024. Mr. Kwok is currently a vice chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators and director of The Institute of Securities Dealers. He has also obtained the licence of Type 1, 4 and 9 regulated activities of SFC.

Having served the securities industry for over 40 years, Mr. Kwok has professional knowledge and investment experience in different types of investment products such as securities, stock/index options, warrants etc. In addition, he has been invited to appear on television and newspaper as well as financial websites to explain market trends and macro economies analysis.

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

Company	Stock code	Position currently held by Mr. Kwok	Appointment date	Resignation date
Victory City International Holdings Limited	539	Independent non-executive director	31 March 2006	24 February 2021

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. NG Wai Hung (吳偉雄), aged 60, has been appointed as an independent non-executive Director with effect from 2 July 2024. Mr. NG graduated from the University of Hong Kong with a bachelor's degree in laws in 1987. Mr. NG is a practising solicitor and a partner at Lu, Lai & Li Solicitors & Notaries in Hong Kong. Mr. NG practices in the areas of securities law, corporate law and commercial law in Hong Kong.

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

Company	Stock Code	Position currently held by Mr. Ng	Appointment Date
Allegro Culture Limited (formerly known as Kingkey Intelligence Culture Holdings Limited)	550	Non-executive director	September 2023
New Sparkle Roll International Group Ltd	970	Independent non-executive director	June 2024
Coolpad Group Limited	2369	Non-executive director	January 2018
Lajin Entertainment Network Group Limited	8172	Independent non-executive director	March 2015
Xinyi Electric Storage Holdings Limited	8328	Independent non-executive director	July 2016

Mr. Ng previously held the following positions in company listed on stock exchange:

Company	Stock Code	Position previously held by Mr. Ng	Appointment Date	Resignation Date
1957 & Co. (Hospitality) Limited	8495	Independent non-executive director	November 2017	August 2022
Winshine Science Company Limited	209	Independent non-executive director	May 2019	June 2023

On 26 May 2021, Mr. Ng was censured by the Listing Review Committee of the Stock Exchange, in relation to his capacity as an independent non-executive director of Tech Pro Technology Development Limited (previous stock code: 3823) (the issued shares of which were delisted from the Main Board of the Stock Exchange), for his breach of Rule 3.08(f) of The Rules Governing the Listing of Securities on the Stock Exchange (the "**Main Board Listing Rules**") and his failure to discharge the obligations under the declarations and undertakings given to the Stock Exchange to use his best endeavours and ability to comply and procure the compliance with the Main Board Listing Rules (the "**Censure**"). The Listing Review Committee of the Stock Exchange directed Mr. Ng to attend and complete 24 hours of training on regulatory and legal topics including compliance of the Main Board Listing Rules (the "**Training**") within 90 days from the date of the decision of the Listing Committee. Mr. Ng completed the Training in accordance with the above direction. For details of the above Censure, please refer to the statement of disciplinary action of the Stock Exchange dated 26 May 2021.

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Senior management

The following are the senior management team of the Group:

Ms. LI Christine (李依皓), aged 50, is our general manager and is primarily responsible for the overall management of the Group's day-to-day operations and the implementation of our business strategies. She joined our Group in August 1995 and has since then accumulated more than 25 years of experience in the operation of the Group. Ms. Li has received a degree of Bachelor of Social Science from the Chinese University of Hong Kong in December 1995. She has not held any directorships in any public listed companies in the past three years.

Dr. WONG Siu Kay (黃兆基), aged 53, is one of our dentists and a director of Well Being Dental Services Limited and Master Clever Limited. He is primarily responsible for the operation of our dental clinics and the provision of dental services. He joined the Group in July 1997 and has since then accumulated more than 25 years of experience in the operation of the Group. He has been a Registered Dental Practitioner since August 1996. Dr. Wong obtained a degree of Bachelor of Dental Surgery from The University of Hong Kong in November 1996. He has not held any directorships in any public listed companies in the past three years.

Company Secretary

Mr. LEUNG Man Fai (梁文輝), aged 67, was appointed as the company secretary of the Company (the "Company Secretary") on 22 November 2015. Mr. Leung graduated from Manchester Polytechnic, the United Kingdom with a degree of Bachelor of Arts in Accounting and Finance awarded by the Council for National Academic Awards of the United Kingdom in July 1988. He also obtained a degree of Master of Commerce in Accounting from the University of New South Wales in May 1990. Mr. Leung has been the director of IBC Certified Public Accountants Limited since August 2008 up to the present. He was the executive director, finance manager and company secretary of Lerado Group (Holding) Company Limited (which is listed on the Stock Exchange with stock code 1225) from July 1995 to August 2014. He was previously employed by Chewy International Foods Ltd. as a financial controller from January 1993 to January 1995. Mr. Leung has been a member of the HKICPA since June 1991.

Mr. Leung has been an independent non-executive director of Vital Innovations Holdings Limited (stock code: 6133), since 30 December 2020 and also has been an independent non-executive director of China Regenerative Medical International Limited (stock code: 8158), since 30 December 2021.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Group for the FY2023/24.

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

INTRODUCTION

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders of the Company;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the shareholders of the Company (the “**Shareholders**”), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and practices as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the GEM Listing Rules and has adopted the CG Code as the code to govern the Company’s corporate governance practices.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board’s ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

CORPORATE GOVERNANCE REPORT

Throughout the year ended 31 March 2024, the Company has complied with the code provisions as set out in the CG Code except for the deviation from code provision C.2.1 segregation of the roles of chairman and chief executive as the Board believes that the vesting of the roles of chairman and chief executive in Mr. Chan Chi Wai, Nelson is beneficial to the Group. The Board considers that the current structure facilitates the implementation of the Group's business strategies and maximises the effectiveness of the Group's operation. The Company will review the structure of management from time to time and will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

BOARD OF DIRECTORS

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

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

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

The Board is subject to code provision A.2.1 concerning corporate governance. The Board has reviewed and discussed the corporate governance policy of the Group, and was satisfied with the performance of the corporate governance policy.

Board Composition

The Board currently comprises five Directors, of which two are executive Directors, and three are independent non-executive Directors. The composition of the Board during the year ended 31 March 2024 and up to the date of this report is as follows:

Executive Directors

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

Independent non-executive Directors

Mr. Leung Po Hon
Mr. Wong Wai Leung
Mr. Kwok Sze Chi (resigned with effect from 2 July 2024)
Mr. Ng Wai Hung (appointed with effect from 2 July 2024)

The biographical details of the Directors and their relationship (if any) are set out in the section headed "Directors and Senior Management Profile" on pages 10 to 14 of this report.

CORPORATE GOVERNANCE REPORT

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

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

During FY2023/24, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, accounting for at least one third of Board, with at least one independent non-executive director possessing the appropriate professional qualifications, accounting or related financial management expertise.

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

Appointment and re-election of Directors

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

Code provision B.2.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Nomination Committee took into consideration criteria such as difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board when considering the appointment of new Directors. Currently, all Directors are appointed for a specific term of three years.

Pursuant to Article 83(3) of the Articles of Association, the Board shall have power from time to time and at any time to appoint any persons as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

In addition, pursuant to Article 84(1) of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Chan Chi Wai and Mr. Leung Po Hon will retire from office at the AGM and, being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the FY2023/24.

Board Meeting, General Meeting and Procedures

Attendance and Number of Board meetings

Pursuant to the code provision C.5.1 of the CG Code, the Board meeting should be held at least four times a year at approximately quarterly intervals. Regular Board meetings will normally involve the active participation, either in person or through electronic means of communications of a majority of Directors entitled to be present.

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

Director	Number of meetings attended/held				
	General meeting	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors					
Mr. Chan Chi Wai, Nelson	1/1	4/4		1/1	1/1
Ms. Jiang Jie	0/1	4/4			
Independent non-executive Directors					
Mr. Leung Po Hon	1/1	4/4	4/4	1/1	1/1
Mr. Wong Wai Leung	1/1	4/4	4/4	1/1	1/1
Mr. Kwok Sze Chi (resigned with effect from 2 July 2024)	0/1	4/4	4/4	1/1	1/1

Practices and Guidelines of Meetings

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

BOARD DIVERSITY POLICY

The Company has a board diversity policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge.

During the Reporting Period, the Group has appointed five Director, one of which was female. The Nomination Committee was of the opinion that the Board consists of members with diversity gender, age, education background, professional/business experience, skill and knowledge. Among all employees of the Group, male employees account for 11.8% and female employees account for 88.2%. The Group believes that the gender ratio of employees is within the reasonable range,

An analysis of the Board's current composition based on the measurable objectives is set out below:

Designation	Gender	Age	Group
Executive Directors: 2 Directors	Male: 4 Directors	41–50	2 Directors
Independent Non-executive Directors: 3 Directors	Female: 1 Director	51–60	1 Director
		61–70	2 Directors

CORPORATE GOVERNANCE REPORT

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate and on a regular basis, to ensure its effectiveness.

BOARD COMMITTEES

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

The majority of members of the Audit Committee, the Nomination Committee and the Remuneration Committee are independent non-executive Directors.

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

AUDIT COMMITTEE

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

The Audit Committee comprises the three independent non-executive Directors, namely, Mr. Leung Po Hon, Mr. Wong Wai Leung and Mr. Kwok Sze Chi. Mr. Leung Po Hon currently serves as the chairman of the Audit Committee.

During the FY2023/24, the Audit Committee held 4 meetings to consider and approve the following:

- (i) to review the quarterly, half-year and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting;
- (ii) to discuss the effectiveness of the internal control systems throughout the Group, including financial, operational and compliance controls, and risk management; and
- (iii) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

The Group's consolidated financial results for the year ended 31 March 2024 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

The Nomination Committee has three members, an executive Director, namely Mr. Chan Chi Wai, Nelson and two independent non-executive Directors, namely Mr. Leung Po Hon and Mr. Wong Wai Leung. Mr. Leung Po Hon currently serves as the chairman of the Nomination Committee. The principal duties of the Nomination Committee include, among other things:

- to nominate the Director having regard to the Director's contribution and perform;
- to determine on an annual basis whether or not a Director is independent;
- to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director; and
- to review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval.

The Nomination Committee has adopted a nomination policy (the "**Nomination Policy**") which sets out the procedures and criteria for the selection, appointment and reappointment of Directors. In evaluating and selecting a candidate for directorship, the Nomination Committee has to consider, among others, character and integrity, willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee of the Company, diversity including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of services; and such other relevant factors that the Nomination Committee may consider appropriate.

The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

During the FY2023/24, the Nomination Committee held 1 meeting to consider and approve the following:

- (i) to review the structure, size and composition of the Board;
- (ii) to assess the independence of independent non-executive Directors; and
- (iii) to re-elect Mr. Chan Chi Wai, Nelson, Mr. Leung Po Hon and Mr. Ng Wai Hung as Directors at the 2024 annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee are (among other things) (i) to make recommendation to the Board the terms of remuneration packages, bonuses and other compensation (including benefits in kind, pension rights and compensation payments, or any compensation payable for loss or termination of their office or appointment) payable to the Directors and senior management; (ii) to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management; (iii) to assess performance of the executive directors and approve the terms of the service contracts of the Directors; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 23 of the GEM Listing Rules.

For the FY2023/24, the Remuneration Committee held 1 meeting to consider and approve the remuneration of the Directors and senior management.

Remuneration paid to Directors and senior management of the Company for the FY2023/24 by band are as follows:

Remuneration band (HK\$)	Number of individuals
Under HKD500,000	3
HKD500,001–HKD1,000,000	1
HKD1,500,001–HKD2,000,000	2
HKD3,500,000–HKD4,000,000	1

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

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

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

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

CORPORATE GOVERNANCE REPORT

According to the records provided by the Directors, a summary of training received by the Directors during FY2023/24 is as follows:

Director's Name	Type of training (Note)
Executive Directors	
Mr. Chan Chi Wai, Nelson	B
Ms. Jiang Jie	B
Independent non-executive Directors	
Mr. Leung Po Hon	A, B
Mr. Wong Wai Leung	A, B
Mr. Kwok Sze Chi (resigned with effect from 2 July 2024)	A, B

Note: Types of training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops.

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publication.

COMPANY SECRETARY

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

Mr. Leung Man Fai undertook totally not less than 15 hours of relevant professional training requirements under Rule 5.15 of the GEM Listing Rules during FY2023/24.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the financial statements for the FY2023/24.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

CORPORATE GOVERNANCE REPORT

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

An internal control review report and an enterprise risk assessment report issued by BTCG were tabled before the members of the Audit Committee during the Audit Committee meeting held on 27 June 2023. The principal purposes of the internal control review and the enterprise risk assessment carried out by BTCG were to obtain sufficient knowledge and understanding about the attitude, awareness and actions of management and the Board concerning the factors of the control environment and risk management mechanism. Based on the findings and comments by BTCG and the Audit Committee, the Board considered the internal control and risk management systems effective and adequate and was of the opinion that there were no significant areas of concern that might affect the Company's shareholders.

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

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

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

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the Audit Committee, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

ROLE OF COMPLIANCE OFFICER

Mr. Chan Chi Wai Nelson is the chairman of the Board, an executive Director and the compliance officer of the Company. His biographical details are set out on page 10 of this report.

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

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor.

During the FY2023/24, the Company engaged D & PARTNERS CPA Limited (the "D&P") as the external auditor.

The remuneration paid or payable to the Company's auditor, Messrs. D & PARTNERS CPA Limited as set out as follows:

Services render	Paid/payable fee HK\$'000
Audit services	
— Audit services in connection with the consolidated financial statements	450
Non-audit services	
— Review of interim condensed consolidated financial statements	150
	600

DIVIDEND POLICY

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

- (i) the operating results and financial condition of the Group;
- (ii) the Group's liquidity position;
- (iii) the Group's capital requirement for business operations and future development;
- (iv) the retained earnings and distributable reserves of the Group;
- (v) the shareholders' expectation and industry's norm;
- (vi) the general market conditions; and
- (vii) any other factors that the Board may consider appropriate.

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

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

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

Right to put forward proposals at general meeting

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

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

Right to make enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at Unit 3601, 36/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong. Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CONSTITUTIONAL DOCUMENTS

During the FY2023/24, there had been no significant change in the Company’s constitutional documents. The Articles of Association are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

POLICIES RELATING TO SHAREHOLDERS

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy (the "**Shareholders' Communication Policy**") to ensure that Shareholders' views and concerns are appropriately addressed. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the GEM Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the half-year report and, where applicable, its summary half-year report; (c) the quarterly report; (d) a notice of meeting; (e) a listing document; (f) a circular; and (g) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the GEM Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the GEM Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the GEM Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the GEM Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.medinetgroup.com).

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the GEM Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

CORPORATE GOVERNANCE REPORT

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong:

Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the following:

Address: Unit 3601, 36/F., Citicorp Centre,
18 Whitfield Road, Causeway Bay
Hong Kong
Email: ir@medinetgroup.com
Fax: (852) 2571 3071

INVESTOR RELATIONS

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

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

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

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

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group during FY2023/24 with an analysis of the Group's performance using financial key performance indicators and outlook are provided in "Management Discussion and Analysis" on page 5. Description of the risk management and internal control can be found in "Corporate Governance Report" on page 15 to page 28.

FINANCIAL REVIEW

A summary of the published results and of the assets and liability of the Group for the last five years is set out on page 104.

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is aware of the importance of complying with the relevant laws, regulations and code of professional conduct therefore the Company has established and operated according to the provisions and codes. During the FY2023/24, as far as the Directors are aware, the Company is in compliance with the Securities and Futures Ordinance (the "SFO"), the GEM Listing Rules and other relevant codes and regulations.

RELATIONSHIPS WITH STAKEHOLDERS

The Group understands that it is important to maintain good relationship with its employees, customers, suppliers, governments and business associates to fulfil its long-term goals and development. To enhance its competitiveness, the Group aims at delivering high quality services to its customers constantly and to continue establishing a caring environment to employees and emphasis the personal development of its employees. During the FY2023/24, there was no material or significant dispute between the Group and its stakeholders.

PRINCIPAL RISKS AND UNCERTAINTIES

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

RESULTS AND APPROPRIATIONS

The Group's financial performance for the FY2023/24 is set out in the consolidated statement of profit or loss and other comprehensive income on page 42 of this report and the financial position of the Group as at 31 March 2024 are set out in the consolidated statement of financial position on page 43 and page 44 of this report.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting will be held on 9 August 2024. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from 6 August 2024 to 9 August 2024, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 17 Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 5 August 2024.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2024, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

GOING CONCERN

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the FY2023/24 are set out in note 14 to the consolidated financial statements.

BANK BORROWINGS

As at 31 March 2024, we have long-term bank borrowings. Gearing ratio is calculated by dividing total debts by total equity as at the end of the reporting period. The total debts include bank borrowings and lease liabilities. The equity comprises all components of equity attributable to the owners of the Company. The Group's gearing ratio was approximately 4.39 as at 31 March 2024 (2023: 0.84).

SHARE CAPITAL

Details of movements in the Company's share capital during the FY2023/24 are set out in note 27 to the consolidated financial statements in this report.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 45 of the consolidated statement of changes in equity and page 103 in the note 35 to the consolidated financial statements of this report.

DISTRIBUTABLE RESERVES

As at 31 March 2024, the Company's reserves available for distribution to shareholders comprising share premium plus accumulated losses, amounted to approximately HK\$3.6 million.

DIRECTORS

The directors of the Company during the FY2023/24 and up to the date of this report were:

Executive Directors

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

Independent non-executive Directors

Mr. Leung Po Hon
Mr. Wong Wai Leung
Mr. Kwok Sze Chi (resigned with effect from 2 July 2024)

REPORT OF THE DIRECTORS

DONATIONS

During the FY2023/24, the group made approximately HK\$24,000 charitable donations (FY2022/23: approximately HK\$24,000).

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place since 31 March 2024 to the date of this report.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2023/24, sales to the Group's five largest customers accounted for approximately 22.5% of total sales and sales to the largest customer included therein amounted to approximately 11.7% of total sales. The Group's largest supplier and five largest suppliers accounted for approximately 16.6% and 42.1% of the Group's total purchases respectively.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the FY2023/24.

CHARGE ON ASSETS

As at 31 March 2024, the Group had no charge on assets (as at 31 March 2023: Nil).

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

During the year, the Group has carried transactions with its related party as detailed in note 29(i) to the consolidated financial statements. Save for as disclosed above, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party or were parties and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the FY2023/24.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the FY2023/24.

CONFIRMATION OF INDEPENDENCE

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

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the FY2023/24.

PERMITTED INDEMNITY PROVISION

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

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

As at 31 March 2024, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any its associated corporation (within the meaning of Part XV of the SFO, which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of the Company

Name of Director	Capacity/Mature of interest	Number of ordinary shares held, capacity and nature of interest	
		Number of share held (Note 1)	Approximate percentage of the Company's issued share capital
Mr. Chan Chi Wai, Nelson	Interest of controlled company (Note 2)	23,400,000 (L)	56.25%
Ms. Jiang Jie	Interest of spouse (Note 3)	23,400,000 (L)	56.25%

Notes:

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

REPORT OF THE DIRECTORS

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

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

Notes:

1. The letter "L" denotes to the long position in the shares of the Company.
2. The entire issued share capital of Medinet International Limited is legally and beneficially owned by Mr. Chan.
3. Ms. Jiang is the spouse of Mr. Chan. Ms. Jiang is deemed to be interested in all the shares in which Mr. Chan is interested under Part XV of the SFO.

Save as disclosed above, as at 31 March 2024, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

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

As at 31 March 2024, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interest or short positions in the shares or underlying shares of the Company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Approximate percentage of the Company's issued share capital
Medinet International Limited	Beneficial owner (Note 2)	23,400,000 (L)	56.25%
NSD Capital Limited (" NSD Capital ")	Beneficial owner (Note 3)	7,800,000 (L)	18.75%
Convoy Asset Management Limited (" CAM ")	Interest of a controlled Corporation (Note 3)	7,800,000 (L)	18.75%
Favour Sino Holdings Limited (" Favour Sino ")	Interest of a controlled Corporation (Note 3)	7,800,000 (L)	18.75%
Convoy (BVI) Limited (" Convoy (BVI) ")	Interest of a controlled Corporation (Note 3)	7,800,000 (L)	18.75%
Convoy Global Holdings Limited (" Convoy Global ")	Interest of a controlled Corporation (Note 3)	7,800,000 (L)	18.75%

Notes:

1. The letter "L" denotes to long position in the shares of the Company.
2. Medinet International Limited is wholly and beneficially owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in the shares of the Company held by Medinet International Limited under Part XV of SFO. Mr. Chan is the sole director of Medinet International Limited.
3. NSD Capital is an exempted company incorporated in the Cayman Island with limited liability, the management shares of which are wholly owned by CAM, a wholly-owned subsidiary of Favour Sino. Favour Sino is a wholly-owned subsidiary of Convoy (BVI), which is a wholly-owned subsidiary of Convoy Global. Therefore, each of CAM, Favour Sino, Convoy (BVI) and Convoy Global is deemed to be interested in the Shares held by NSD Capital under the SFO.

Save as disclosed above, as at 31 March 2024, none of the substantial shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE GEM LISTING RULES

Details of the related party transactions undertaken in the normal course of business are provided under note 29(i) to the consolidated financial statements, and none of which constitutes a connected transaction or continuing connected transaction as defined under Chapter 20 of the GEM Listing Rules that are not exempt from annual reporting requirement in Chapter 20 of the Listing Rules.

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

During the FY2023/24, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

A full corporate governance report is set out on pages 15 to 28 of this report.

PRE-EMPTIVE RIGHTS

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

DIVIDEND

The Board does not recommend the payment of any dividend for the FY2023/24 (FY2022/23: Nil).

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. D & PARTNERS CPA Limited as the auditor of the Company.

On behalf of the Board
Chan Chi Wai, Nelson
Chairman

Hong Kong, 25 June 2024

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF MEDINET GROUP LIMITED

醫匯集團有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MediNet Group Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 42 to 103, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, 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 (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>We identified revenue recognition as a key audit matter as revenue is one of the key performance indicators of the Group and the Group's revenue from provision of medical solutions to insurance companies involves significant volume of transactions recorded in the Group's operational system. The recognition of such revenue is highly dependent on the information data generated from the operational system to the accounting system of the Group. Hence, it gives rise to an inherent risk that such revenue could be misstated or subject to manipulation.</p> <p>For the year ended 31 March 2024, the Group recognised revenue of approximately HK\$30,197,000 (2023: HK\$19,717,000) in respect of provision of medical solutions to insurance companies. Details of revenue from provision of medical solutions to insurance companies are set out in note 5 to the consolidated financial statements.</p>	<p>Our procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none">• Understanding and testing the controls over the validity of the data from the operational system and transmission of the information data from the operational system to the accounting system;• Verifying the accuracy of consultation fee to be billed to insurance companies, by extracting relevant data from the operational system to recalculate the amount of the transactions recorded in the accounting system for selected months;• Performing review on revenue deriving from the provision of medical solutions and identifying and obtaining explanation for fluctuation noted; and• Selecting samples of revenue transaction and checking to annual retainer contracts and settlement documents.
<p>Impairment assessment of goodwill</p> <p>We identified the valuation of goodwill allocated to Master Clever which engaged in provision of dental services business as a key audit matter due to the complexity and significant judgements involved in the management's impairment assessment process.</p> <p>As details in the notes 4 and 16 to the consolidation financial statements, in determining the amount of impairment for goodwill requires an estimation of the recoverable amount, which is the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated and the Group engages an independent external valuer to perform such valuation. The value in use is based on the cash flow forecast of the CGU and take into account the key assumptions used by management which including discount rate, growth rate, budgeted sales and gross margin.</p> <p>As disclosed in note 7 to the consolidated financial statement, HK\$1,905,000 impairment loss was provided for goodwill for the year ended 31 March 2024 (2023: 17,578,000).</p>	<p>Our audit procedures in relation to the impairment of goodwill by the management included:</p> <ul style="list-style-type: none">• Understanding the relevant key controls over the assessment of impairment of goodwill;• Evaluating the appropriateness of the key assumptions in the cash flow forecast, including growth rate, budgeted sales and gross margin, by discussing with the management with reference to their expectations for market development and comparing with the most recent financial performance available;• Assessing the competence, capabilities and objectivity of the independent qualified valuer;• Evaluating the historical accuracy of the cash flow forecast and actual performance for the year and future prospect from the CGU; and• Assessing the appropriateness of the discount rate used.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Impairment of property, plant and equipment and right-of-use assets

We identified the impairment of property, plant and equipment and right-of-use assets as a key audit matter because of its significance to the consolidated financial statements and high degree of management judgement involved in determining the recoverable amounts.

As disclosed in note 14 to the consolidated financial statements, the carrying amounts of property, plant and equipment was HK\$3,119,000 (2023: HK\$2,954,000) and as disclosed in note 15 to the consolidated financial statements, the carrying amount of right-of-use assets was HK\$7,509,000 (2023: HK\$9,875,000) as at 31 March 2024.

The calculation of the recoverable amount requires the management of the Group to estimate the higher of fair value less costs of disposal and value in use of those assets. Management reviewed the recoverable amounts of the property, plant and equipment and right-of-use assets at the end of the reporting period by estimating the respective fair value less costs of disposal and value in use of these assets to determine the impairment amount required to write down these assets to their recoverable amounts.

As disclosed in note 7 to the consolidated financial statements, HK\$864,000 (2023: HK\$9,000) impairment loss was provided for property, plant and equipment and HK\$23,000 impairment loss was provided for right-of-use assets for the year ended 31 March 2024 (2023: Nil).

Our procedures in relation to the impairment of property, plant and equipment and right-of-use assets include:

- Understanding how the management performs the impairment assessment in respect of the property, plant and equipment and right-of-use assets;
- Evaluating the management's assessment in estimating recoverable amount of the property, plant and equipment and right-of-use assets;
- Testing and checking the accuracy of the calculation of recoverable amount of the property, plant and equipment and right-of-use assets; and
- Comparing the Group's cash flow forecast with the historical financial information upon which the cash flow forecast is based.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lau, Ming Tak Simeon.

D & PARTNERS CPA LIMITED

Certified Public Accountants

Lau, Ming Tak Simeon

Practising Certificate Number: P07579

Hong Kong

25 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	5	116,248	110,392
Other income	6	561	3,539
Other gains and losses	7	(2,648)	(17,912)
Medical and dental professional services expenses	9	(50,262)	(42,860)
Staff costs	9	(37,227)	(37,793)
Depreciation of property, plant and equipment	9	(1,730)	(2,315)
Depreciation of right-of-use assets	9	(7,998)	(9,420)
Cost of medical and dental supplies	9	(9,388)	(10,848)
Rental expenses	9	(912)	(1,866)
Other expenses		(13,983)	(14,249)
Amortisation of other intangible assets		–	(1,571)
Finance costs	8	(660)	(560)
Loss before taxation	9	(7,999)	(25,463)
Income tax (expense) credit	10	(105)	313
Loss for the year		(8,104)	(25,150)
Loss for the year attributable to:			
Owners of the Company		(8,082)	(24,882)
Non-controlling interest		(22)	(268)
		(8,104)	(25,150)
Loss per share — Basic and Diluted (Hong Kong cents)	13	(19.43)	(59.81)
Other comprehensive expense for the year			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(44)	(159)
Total comprehensive expense for the year		(8,148)	(25,309)
Total comprehensive expense attributable to:			
Owners of the Company		(8,126)	(25,041)
Non-controlling interests		(22)	(268)
		(8,148)	(25,309)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	14	3,119	2,954
Right-of-use assets	15	7,509	9,875
Other intangible assets	17	–	–
Goodwill	16	–	1,905
Rental deposits	19	816	1,480
Deferred tax assets	24	1,333	1,370
		12,777	17,584
Current assets			
Inventories	18	581	365
Accounts and other receivables	19	10,679	8,875
Amount due from a related party	20	651	428
Tax recoverable		13	49
Bank balances and cash	21	17,325	15,574
		29,249	25,291
Current liabilities			
Accounts and other payables	22	14,239	13,515
Contract liabilities	22	6,406	6,253
Lease liabilities	23	4,726	6,490
Bank borrowing	26	8,431	–
Provision for reinstatement costs	25	317	215
Amount due to a related party	20	1,485	1,156
Tax payable		167	57
		35,771	27,686
Net current liabilities		(6,522)	(2,395)
Total assets less current liabilities		6,255	15,189
Non-current liabilities			
Lease liabilities	23	2,802	3,333
Deferred tax liabilities	24	–	24
Provision for reinstatement costs	25	272	503
		3,074	3,860
Net assets		3,181	11,329

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	NOTE	2024 HK\$'000	2023 HK\$'000
Capital and reserves			
Share capital	27	10,400	10,400
Reserves		(6,768)	1,358
Equity attributable to owners of the Company		3,632	11,758
Non-controlling interests		(451)	(429)
		3,181	11,329

The consolidated financial statements on pages 42 to 103 were approved and authorised for issue by the board of directors on 25 June 2024 and are signed on its behalf by:

Chan Chi Wai, Nelson
DIRECTOR

Jiang Jie
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000		
At 1 April 2022	10,400	51,853	(1,253)	20,515	5	(44,721)	36,799	(161)	36,638
Loss for the year	-	-	-	-	-	(24,882)	(24,882)	(268)	(25,150)
Exchange differences arising on translation	-	-	-	-	(159)	-	(159)	-	(159)
Loss and total comprehensive expense for the year	-	-	-	-	(159)	(24,882)	(25,041)	(268)	(25,309)
At 31 March 2023	10,400	51,853	(1,253)	20,515	(154)	(69,603)	11,758	(429)	11,329
Loss for the year	-	-	-	-	-	(8,082)	(8,082)	(22)	(8,104)
Exchange differences arising on translation	-	-	-	-	(44)	-	(44)	-	(44)
Loss and total comprehensive expense for the year	-	-	-	-	(44)	(8,082)	(8,126)	(22)	(8,148)
At 31 March 2024	10,400	51,853	(1,253)	20,515	(198)	(77,685)	3,632	(451)	3,181

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(7,999)	(25,463)
Adjustments for:		
Bank interest income	(163)	(8)
Amortisation of other intangible assets	–	1,571
Depreciation of property, plant and equipment	1,730	2,315
Depreciation of right-of-use assets	7,998	9,420
Covid-19-related rent concession received	–	(241)
Interests on lease liabilities	423	560
Interests on bank borrowing	237	–
Gain arising from termination of lease	–*	(8)
Gain on disposal of property, plant and equipment	(2)	–
Impairment losses recognised on property, plant and equipment	864	9
Impairment losses recognised right-of-use assets	23	–
Impairment losses recognised on goodwill	1,905	17,578
Impairment losses recognised arising from Expected Credit Losses (“ECL”) on account receivables, net of reversal	53	384
Bad debts written off	–	131
Reversal of provision for reinstatement cost	(189)	(170)
Operating cash flows before movements in working capital	4,880	6,078
(Increase) decrease in inventories	(216)	127
(Increase) decrease in accounts and other receivables	(1,226)	391
Increase in amount due from a related party	(223)	(67)
Increase in accounts and other payables	724	4,154
Decrease in provision for reinstatement costs	(75)	–
Increase (decrease) in contract liabilities	153	(1,195)
Increase in amount due to a related party	329	417
Cash generated from operations	4,346	9,905
Hong Kong Profits Tax refund	54	458
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,400	10,363
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	29	–
Purchase of property, plant and equipment	(2,786)	(715)
Interest received	163	8
NET CASH USED IN INVESTING ACTIVITIES	(2,594)	(707)
FINANCING ACTIVITIES		
Interest paid	(237)	–
New bank borrowing raised	9,000	–
Repayment of bank borrowing	(569)	–
Repayment of lease liabilities, including related interests	(8,205)	(9,525)
NET CASH USED IN FINANCING ACTIVITIES	(11)	(9,525)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,795	131
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15,574	15,600
Effect of foreign exchange rate changes	(44)	(157)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	17,325	15,574

* Value below HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 33.

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. In accordance with the transition provision: (i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after 1 April 2022; (ii) the Group also, as at 1 April 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognized as part of the cost of the related asset.

The application of the amendments has had no material impact on the Group’s financial position and performance.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after January 1, 2024.

³ Effective for annual periods beginning on or after January 1, 2025.

Except for the amendment to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and related amendments to Hong Kong Interpretation 5 (the “2020 Amendments”) and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and related amendments to Hong Kong Interpretation 5 (the “2020 Amendments”) and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (the “2022 Amendments”) (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION

In preparing the consolidated financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$6,522,000 as at 31 March 2024 and incurred a loss attributable to the owners of the Company of HK\$8,082,000 (2023: HK\$24,882,000) for the year ended 31 March 2024.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 March 2024 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date when the consolidated financial statements are authorised for issue, but not limited to, the followings:

- (a) during the year ended 31 March 2024, the Group participated in two new dental services projects and entered medical solution contracts with some new customers. The directors will continue to explore new business opportunities in the coming years;
- (b) the directors of the Company will continue to implement comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (c) the management will continue to seek other financing arrangements and fund-raising alternatives with a view to increasing the Group’s capitalisation/equity and to support the continuing growth of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

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

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

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

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Revenue from contracts with customers

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

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

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

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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

Property, plant and equipment

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

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

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

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of certain clinics that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any measurement at lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications *(Continued)*

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Leases (Continued)

The Group as a lessor *(Continued)*

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Financial instruments *(Continued)*

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

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

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

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including account and other receivables, amounts due from related party and bank balance and cash) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivables and amount due from a related party of trade nature. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

Definition of default

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

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event; or
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For amount due from a related party of trade nature, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables and amount due from a related party of trade nature where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Impairment on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets and not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of CGU, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGU, with the recoverable amount of the group of CGU. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGU. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGU. An impairment loss is recognised immediately in profit or loss.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including Mandatory Provident Fund Scheme (“MPF Scheme”) in Hong Kong and government-managed retirement benefit schemes in the Mainland China (the “PRC”), are recognised as an expense when employees have rendered service entitling them to the contributions. A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Short-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRSs requires or permits their inclusion in the cost of an asset.

Foreign currencies

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

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies requirements of HKAS 12 *Income Taxes* to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Provisions

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

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

Reinstatement provisions

Provision for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, estimates are regularly reviewed and adjusted as appropriate for new circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if 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.
- (B) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also 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); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group's or to a parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGU) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGU) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 March 2024, the carrying amount of goodwill was fully impaired (2023: HK\$1,905,000) (net of accumulated impairment loss of HK\$19,483,000 (2023: HK\$17,578,000)). Details of the recoverable amount calculation are disclosed in note 16.

Annual retainer contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Annual retainer contracts (Continued)

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

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

Provision of ECL for accounts receivables

The Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivables are disclosed in note 19.

Impairment of property, plant and equipment and right-of-use assets

The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount.

Property, plant and equipment, and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less costs of disposal of certain assets have been determined from market available information.

As at 31 March 2024, the carrying amount of property, plant and equipment was HK\$3,119,000 (2023: HK\$2,954,000), and the carrying amount of right-of-use assets was HK\$7,509,000 (2023: HK\$9,875,000). The impairment losses of HK\$864,000 (2023: HK\$9,000) and HK\$23,000 (2023: Nil) in respect of property, plant and equipment and right-of-use assets has been recognised respectively. Details are set out in notes 14 and 15 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 March 2024		
	Dental business HK\$'000	Medical business HK\$'000	Total HK\$'000
Types of service			
Dental business			
Solutions	5,525	–	5,525
Services	45,186	–	45,186
Sub-total	50,711	–	50,711
Medical business			
Solutions to insurance companies	–	30,197	30,197
Solutions to corporations	–	10,164	10,164
Services	–	25,176	25,176
Sub-total	–	65,537	65,537
Total	50,711	65,537	116,248
Geographical markets			
Hong Kong	50,382	65,537	115,919
The PRC	329	–	329
Total	50,711	65,537	116,248
Timing of revenue recognition			
A point in time	27,334	58,089	85,423
Over time	23,377	7,448	30,825
Total	50,711	65,537	116,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

Segments	For the year ended 31 March 2023		
	Dental business HK\$'000	Medical business HK\$'000	Total HK\$'000
Types of service			
Dental business			
Solutions	7,113	–	7,113
Services	58,048	–	58,048
Sub-total	65,161	–	65,161
Medical business			
Solutions to insurance companies	–	19,717	19,717
Solutions to corporations	–	7,981	7,981
Services	–	17,533	17,533
Sub-total	–	45,231	45,231
Total	65,161	45,231	110,392
Geographical markets			
Hong Kong	64,186	45,231	109,417
The PRC	975	–	975
Total	65,161	45,231	110,392
Timing of revenue recognition			
A point in time	40,197	37,783	77,980
Over time	24,964	7,448	32,412
Total	65,161	45,231	110,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Performance obligations for contracts with customers

Dental solutions

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

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

Dental services

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Medical solutions

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

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

Medical services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) in relation to dental services (invisalign treatment services) as at 31 March 2024 and 31 March 2023 and the expected timing of recognising revenue are as follows:

	2024 Dental services HK\$'000
Within one year	397
More than one year but not more than two years	83
	480

	2023 Dental services HK\$'000
Within one year	660
More than one year but not more than two years	179
	839

(iv) Segment information

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iv) Segment information *(Continued)*

Segment revenue and results

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

Year ended 31 March 2024

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
SEGMENT REVENUE					
External revenue	50,711	65,537	116,248	–	116,248
Inter-segment revenue	604	6,162	6,766	(6,766)	–
Segment revenue	51,315	71,699	123,014	(6,766)	116,248
Segment (loss)/profit	(8,066)	3,600	(4,466)		(4,466)
Unallocated expenses					(4,095)
Unallocated income					562
Loss before taxation					(7,999)

	Dental business HK\$'000	Medical business HK\$'000	Total HK\$'000
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit or loss:			
Additions to right-of-use assets	5,660	–	5,660
Additions to property, plant and equipment	2,542	244	2,786
Depreciation of property, plant and equipment	798	932	1,730
Depreciation of right-of-use assets	3,822	4,176	7,998
Impairment loss recognised arising from ECL on account receivables, net of reversal	–	53	53
Impairment loss recognised on property, plant and equipment	821	43	864
Impairment loss recognised on right-of-use assets	23	–	23
Impairment loss recognised on goodwill	1,905	–	1,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION (Continued)

(iv) Segment information (Continued)

Segment revenue and results (Continued)

Year ended 31 March 2023

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
SEGMENT REVENUE					
External revenue	65,161	45,231	110,392	–	110,392
Inter-segment revenue	553	4,649	5,202	(5,202)	–
Segment revenue	65,714	49,880	115,594	(5,202)	110,392
Segment loss	(22,543)	(2,305)	(24,848)		(24,848)
Unallocated expenses					(4,154)
Unallocated income					3,539
Loss before taxation					(25,463)

	Dental business HK\$'000	Medical business HK\$'000	Total HK\$'000
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit or loss:			
Additions to right-of-use assets	3,520	2,687	6,207
Additions to property, plant and equipment	168	547	715
Depreciation of property, plant and equipment	1,208	1,107	2,315
Depreciation of right-of-use assets	5,217	4,203	9,420
Amortisation of other intangible assets	1,571	–	1,571
Impairment loss recognised arising from ECL on account receivables, net of reversal	5	379	384
Impairment loss recognised on property, plant and equipment	9	–	9
Impairment loss recognised on goodwill	17,578	–	17,578
Gain arising from termination of lease	8	–	8
Bad debts written off	–	131	131

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iv) Segment information *(Continued)*

Segment assets and liabilities

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

Information about major customers

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

	For the year ended	
	2024	2023
	HK\$'000	HK\$'000
Customer A (Note)	13,637	9,484

Note: The transactions did not exceed 10% of the Group's revenue during the year ended 31 March 2023.

Geographical information

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

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

	Revenue from external customers for the year		Non-current assets at 31 March	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	115,919	109,417	10,628	14,734
The PRC	329	975	–	–
	116,248	110,392	10,628	14,734

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

6. OTHER INCOME

	2024 HK\$'000	2023 HK\$'000
Rental income	210	360
Bank interest income	163	8
Covid-19-related rent concession (note i)	–	241
Sundry income	188	936
Government subsidy (note ii)	–	1,994
	561	3,539

Note i: During the year ended 31 March 2024 and 2023, the rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of Covid-19.

Note ii: During the year ended 31 March 2023, the Group recognised government grants of HK\$1,994,000 in respect of Covid-19 related subsidies which relates to Employment Support Scheme provided by the Hong Kong government. No government grants was recognised for the year ended 31 March 2024.

7. OTHER GAINS AND LOSSES

	2024 HK\$'000	2023 HK\$'000
Exchange gain, net	6	12
Impairment losses recognised arising from ECL on account receivables, net of reversal	(53)	(384)
Impairment losses recognised on property, plant and equipment	(864)	(9)
Impairment losses recognised on right-of-use assets	(23)	–
Impairment losses recognised on goodwill	(1,905)	(17,578)
Bad debt written-off	–	(131)
Gain arising from termination of leases	–*	8
Gain on disposal of property, plant and equipment	2	–
Reversal of provision for reinstatement cost	189	170
	(2,648)	(17,912)

* Value below HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

8. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interests on lease liabilities	423	560
Interests on bank borrowing	237	–
	660	560

9. LOSS BEFORE TAXATION

	2024 HK\$'000	2023 HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	5,554	5,558
Salaries and allowance for staff excluding directors	30,458	30,899
Retirement benefit scheme contributions for staff excluding directors	1,215	1,336
Total staff costs (note ii)	37,227	37,793
Amortisation of other intangible assets	–	1,571
Depreciation of property, plant and equipment	1,730	2,315
Depreciation of right-of-use assets	7,998	9,420
Medical and dental professional services expenses (note i)	50,262	42,860
Cost of inventories recognised as an expense	9,388	10,848
Minimum lease payments in respect of rental premises	912	1,866
Covid-19-related rent concession	–	(241)
Auditor's remuneration	600	650

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

10. INCOME TAX EXPENSE (CREDIT)

	2024 HK\$'000	2023 HK\$'000
Current tax:		
Hong Kong profits tax	167	7
Overprovision in prior year:		
Hong Kong profits tax	(75)	(1)
	92	6
Deferred tax	13	(319)
	105	(313)

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK\$3,000 (2023: HK\$6,000).

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

	2024 HK\$'000	2023 HK\$'000
Loss before taxation	(7,999)	(25,463)
Tax at Hong Kong Profits Tax rate of 16.5%	(1,320)	(4,201)
Tax effect of expenses not deductible for tax purposes	340	3,132
Tax effect of income not taxable for tax purposes	(27)	(337)
Tax effect of tax loss not recognised	1,336	1,280
Tax effect of deductible temporary difference not recognised	154	115
Utilisation of tax losses previously not recognised	(228)	(149)
Overprovision in prior year	(75)	(1)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(72)	(146)
Tax concessions	(3)	(6)
Income tax expense (credit) for the year	105	(313)

Details of deferred taxation are set out in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

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

Directors and Chief Executive

2024

	Executive directors		Independent non-executive directors			Total HK\$'000
	Mr. Chan HK\$'000	Ms. Jiang Jie HK\$'000	Mr. Leung Po Hon HK\$'000	Mr. Wong Wai Leung HK\$'000	Mr. Kwok Sze Chi HK\$'000	
Fees	–	–	180	180	180	540
Other emoluments						
Salaries and allowances	1,923	1,495	–	–	–	3,418
Other benefits and allowances	1,560	–	–	–	–	1,560
Performance related incentive payments (Note (i))	–	–	–	–	–	–
Retirement benefit scheme contributions	18	18	–	–	–	36
Total emoluments	3,501	1,513	180	180	180	5,554

2023

	Executive directors		Independent non-executive directors			Total HK\$'000
	Mr. Chan HK\$'000	Ms. Jiang Jie HK\$'000	Mr. Leung Po Hon HK\$'000	Mr. Wong Wai Leung HK\$'000	Mr. Kwok Sze Chi HK\$'000	
Fees	–	–	180	180	180	540
Other emoluments						
Salaries and allowances	1,927	1,495	–	–	–	3,422
Other benefits and allowances	1,560	–	–	–	–	1,560
Performance related incentive payments (Note (i))	–	–	–	–	–	–
Retirement benefit scheme contributions	18	18	–	–	–	36
Total emoluments	3,505	1,513	180	180	180	5,558

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

Note (i): The performance related incentive payments are determined by reference to the Group's operating results, individual performance and prevailing market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

Employees

The five highest paid individuals of the Group included two directors (2023: two directors) of the Company for the year. The emoluments of the remaining three (2023: three) highest paid individuals for the two years ended 31 March 2023 and 2024 are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries and allowances	4,186	3,823
Retirement benefit scheme contributions	54	54
	4,240	3,877

The number of these highest paid individuals (excluding directors of the Company) whose emolument fell within the following bands is as follows:

	2024 Number of individuals	2023 Number of individuals
HK\$1,000,001 to HK\$1,500,000	1	3
HK\$1,500,001 to HK\$2,000,000	2	–
	3	3

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

12. DIVIDENDS

The Directors do not recommend any dividend for the year ended 31 March 2024 nor propose any dividend since the end of the year (2023: Nil).

13. LOSS PER SHARE

	2024 HK\$'000	2023 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share for the year	(8,082)	(24,882)
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic loss per share	41,600	41,600

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

The Company had no potentially dilutive ordinary shares in issue both years ended 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Professional equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2022	9,618	15,304	6,975	2,999	34,896
Additions	–	690	25	–	715
Exchange realignment	(51)	(132)	(12)	–	(195)
At 31 March 2023	9,567	15,862	6,988	2,999	35,416
Additions	1,431	786	569	–	2,786
Disposals	–	(38)	–	–	(38)
Exchange realignment	(32)	(81)	(7)	–	(120)
At 31 March 2024	10,966	16,529	7,550	2,999	38,044
DEPRECIATION					
At 1 April 2022	8,595	15,228	4,229	2,279	30,331
Provided for the year	523	191	1,331	270	2,315
Impairment losses recognised	–	–	9	–	9
Exchange realignment	(51)	(131)	(11)	–	(193)
At 31 March 2023	9,067	15,288	5,558	2,549	32,462
Provided for the year	501	204	755	270	1,730
Eliminated on disposals	–	(11)	–	–	(11)
Impairment losses recognised	–	625	239	–	864
Exchange realignment	(32)	(81)	(7)	–	(120)
At 31 March 2024	9,536	16,025	6,545	2,819	34,925
CARRYING VALUES					
At 31 March 2024	1,430	504	1,005	180	3,119
At 31 March 2023	500	574	1,430	450	2,954

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

Impairment review for the year ended 31 March 2024 and 2023

For the year ended 31 March 2024, the Group has performed impairment assessment on property, plant and equipment. Certain clinics were loss making during the year due to the economic downturn and growing trend of patients heading to Mainland for dental services after the ease of COVID-19 border to Mainland, and the dental business operation may continue to be affected by the trend. Impairment assessment is performed on clinic with operating losses which is considered as an impairment indicator for the year ended 31 March 2024.

The recoverable amount of cash-generating units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 14.0% to 16.6% as at 31 March 2024, respectively. The annual growth rate used is 0% to 10%, which is based on the human resources capacity and future business plan. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development.

Based on the result of the assessment, the management of the Group determined that the recoverable amounts of some CGU are lower than their carrying amounts. Based on the value-in-use calculation, the impairment loss of approximately HK\$864,000 has been recognised against the carrying amounts of property, plant and equipment for the year ended 31 March 2024 (2023: HK\$9,000), which has been recognised in profit or loss.

15. RIGHT-OF-USE ASSETS

	Offices and clinics HK\$'000	
As at 1 April 2023		
Carrying amount		9,875
As at 31 March 2024		
Carrying amount		7,509
For the year ended 31 March 2024		
Depreciation charge		7,998
Impairment loss recognised		23
For the year ended 31 March 2023		
Depreciation charge		9,420
	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Expense relating to short-term leases	912	1,866
Total cash outflow for leases	9,117	11,391
Additions to right-of-use assets	5,660	6,207
Gain arising from termination of lease	–*	8

* Value below HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

15. RIGHT-OF-USE ASSETS *(Continued)*

For both years, the Group leases various offices and clinics. Lease contracts are entered into the following ranges of fixed terms:

Offices and clinics	1–5 years
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Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. The remaining right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

As at 31 March 2024, the Group regularly entered into short-term leases for clinics. The short-term lease expense incurred during the year amounted to HK\$912,000 (2023: HK\$1,866,000).

As at 31 March 2024 and 2023, the Group had no lease with variable lease payment. The lease agreements do not impose any extension or termination options which are exercisable only by the Group and not by the respective lessors.

As at 31 March 2024 and 2023, the Group does not provide residual value guarantees in relation to leases arrangements. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

As at 31 March 2024 and 2023, the Group has no leases that are committed but not yet commenced.

The maturity of lease liabilities is presented in note 23 and 32.

Rent concessions

The rent concession occurred as a direct consequence of Covid-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient under HKFRS 16.46A.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. No effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases (2023: HK\$241,000) were recognised as negative variable lease payments.

As at 31 March 2024, management carried out a review of the recoverable amounts of its right-of-use assets. Details of the assumption of impairment assessment on the Group's right-of-use assets as at 31 March 2024 are disclosed in note 14.

Based on the result of impairment assessment, the management of the Group determined that the recoverable amounts of some CGU are lower than their carrying amounts. Based on the value-in-use calculation, the impairment loss of approximately HK\$23,000 has been recognised against the carrying amounts of right-of-use assets for the year ended 31 March 2024 (2023: Nil).

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For the year ended 31 March 2024

16. GOODWILL

	HK\$'000
COST	
At 1 April 2022, 31 March 2023 and 31 March 2024	19,483
IMPAIRMENT	
At 1 April 2022	–
Impairment loss recognised in the year	17,578
At 31 March 2023	17,578
Impairment loss recognised in the year	1,905
At 31 March 2024	19,483
CARRYING VALUES	
At 31 March 2024	–
At 31 March 2023	1,905

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

Impairment testing on goodwill

For the years ended 31 March 2024 and 2023

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

The amount of goodwill as at 31 March 2024 and 31 March 2023 is allocated to Master Clever Limited which engaged in provision of dental services business as follows:

As a result of economic downturn, growing trend of patients heading to Mainland for dental services after the ease of COVID-19 border to Mainland, and increase in operating costs of the CGU, in particular the increase in dental professional service cost (as such cost are charged based on a percentage of the operating results) due to the increase in percentage of cost in the latest renewal terms and arrangement, the revenue of the CGU decreased by approximately HK\$12,700,000 for the year ended 31 March 2024, as compared with last year and record a net operating loss of HK\$2,600,000.

The management of the Group has performed an impairment assessment on the CGU. With the assistance of an independent valuer, the management of the Group has reviewed and reassessed the key assumptions used in determining the recoverable amounts of the CGU.

The recoverable amount of the relevant CGU is determined based on a value in use calculation. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and at a pre-tax discount rate of 14.7% as at 31 March 2024 (2023: 15.7%). The CGU's cash flows beyond the 5-year period are extrapolated using a zero growth rate as at 31 March 2024 (2023: 2.0%) that is with reference to the historical performance of the relevant CGU, the relevant industry growth forecasts that do not exceed the average long-term growth rate for the relevant industry human resources capacity and business plan. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Based on the result of impairment assessment, the management has consequently determined impairment loss of goodwill amounting to HK\$1,905,000 (2023: HK\$17,578,000), which have been included in other gains and losses as discussed in note 7 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

17. OTHER INTANGIBLE ASSETS

	Right to use trade names HK\$'000	Customer relationship HK\$'000	Total HK\$'000
COST			
At 1 April 2022, 31 March 2023 and 31 March 2024	4,291	3,175	7,466
AMORTISATION			
At 1 April 2022	3,390	2,505	5,895
Charge for the year	901	670	1,571
At 31 March 2023 and 31 March 2024	4,291	3,175	7,466
CARRYING VALUES			
At 31 March 2024	–	–	–
At 31 March 2023	–	–	–

The right to use trade names represents the right to operate dental clinics to provide services under the trade names of (i) Dr. Kenny CP Chiu & Dental Surgeons and (ii) Invisible Orthodontic & Laser Implant Centre. Customer relationship represents existing customers who will continue to visit dental clinics for dental services.

Right to use trade names and customer relationship acquired in the business combination are identified and recognised as intangible assets. The right to use trade names and customer relationship acquired in the business acquisition are recognised at fair value at the acquisition date. The right to use trade names and customer relationship have finite useful lives. Such other intangible assets are amortised on a straight-line basis over the following periods:

Right to use trade names	57 months
Customer relationship	57 months

18. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Pharmaceutical products	581	365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

19. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	2024 HK\$'000	2023 HK\$'000
Accounts receivables	7,453	5,522
Less: Allowance for ECL	(550)	(497)
	6,903	5,025
Other receivables		
— Other receivables	980	950
— Prepayments	1,218	1,070
— Rental and utility deposits	2,394	3,310
Total accounts and other receivables	11,495	10,355
Less: Receivables within twelve months shown under current assets	(10,679)	(8,875)
Rental deposits and other receivables shown under non-current assets	816	1,480
Presented in the consolidated statement of financial position:		
— Rental deposits	816	1,480

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

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

	2024 HK\$'000	2023 HK\$'000
Within 30 days	3,607	3,142
31 to 60 days	2,242	1,636
61 to 90 days	805	190
91 to 180 days	249	57
	6,903	5,025

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are assessed by using a provision matrix based on the credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the ECL rates.

As at 31 March 2024, included in the Group’s accounts receivables balance are debtors with aggregate carrying amount of HK\$1,054,000 (2023: HK\$247,000) which are past due as at the reporting date. Out of the past due balances, HK\$249,000 (2023: HK\$57,000) has been past due over 90 days or more and is not considered as in default. The directors of the Company are in the view that there have been no significant increase in credit risk nor default because of good repayment records for those customers and continuous business with the Group.

Detail of impairment assessment of trade and other receivables are set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

20. AMOUNTS DUE FROM (TO) A RELATED PARTY

Amounts due from (to) related parties are as follows:

			Maximum balance outstanding during the year	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Amounts due from (to) related parties				
Face Factor Limited ("Face Factor") ^{1, 2, 3}	651	428	651	459
Times Insurance Consultants Limited ("Times Insurance") ²	(1,485)	(1,156)	–	–
	(834)	(728)		

- Mr. Chan is the director and also the controlling shareholder of these companies. Medinet International is the ultimate holding company of the Company.
- The company is wholly-owned by a key management personnel of the Group.
- The balance is of trade nature. HK\$651,000 (2023: HK\$428,000) is aged within 30 days.

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

Details of impairment assessment of amounts due from related parties are set out in note 32.

21. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rates based on daily bank deposits rates for both years.

Details of impairment assessment of bank balances are set out in note 32.

22. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Accounts and other payables		
Accounts payables	10,517	8,153
Other payables	776	1,266
Accrued expenses	2,946	4,096
	14,239	13,515

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

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

	2024 HK\$'000	2023 HK\$'000
Within 30 days	3,324	3,345
31 to 60 days	2,752	2,203
61 to 90 days	2,440	1,290
91 to 120 days	2,001	1,315
	10,517	8,153

	2024 HK\$'000	2023 HK\$'000
Contract liabilities		
Medical services	1,092	947
Medical solutions	3,231	1,915
Dental solutions	1,603	2,552
Dental services	480	839
	6,406	6,253

As at 1 April 2022, contract liabilities amounted to HK\$7,448,000.

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from medical solutions and dental services.

During the year ended 31 March 2024, HK\$17,456,000 (2023: HK\$6,489,000) has been recognised as revenue in the current year relating to contract liabilities at the beginning of the year, and management believed that the remaining will be recognised as revenue approximately within two years from 31 March 2024.

23. LEASE LIABILITIES

Lease liabilities payables	2024 HK\$'000	2023 HK\$'000
Within one year	4,726	6,490
Within a period for more than one year but not more than two years	2,455	2,842
Within a period for more than two years but not more than five years	347	491
	7,528	9,823
Less: Amount due for settlement within 12 months shown under current liabilities	(4,726)	(6,490)
Amount due for settlement after 12 months shown under non-current liabilities	2,802	3,333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

24. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At 1 April 2022	132	1,155	(260)	1,027
Credit to profit or loss	59	–	260	319
At 31 March 2023	191	1,155	–	1,346
Credit to profit or loss	23	(36)	–	(13)
At 31 March 2024	214	1,119	–	1,333

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

	2024 HK\$'000	2023 HK\$'000
Deferred tax assets	1,333	1,370
Deferred tax liabilities	–	(24)
	1,333	1,346

At the end of the reporting period, the Group has unused tax losses of HK\$61,296,000 (2023: HK\$61,280,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$6,782,000 (2023: HK\$7,001,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$54,514,000 (2023: HK\$54,279,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$16,373,000 (2023: HK\$21,649,000) that can be carried forward for one to five years for the year ended 31 March 2024. Other unrecognized tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK\$4,050,000 (2023: HK\$2,043,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

25. PROVISION FOR REINSTATEMENT COSTS

	2024 HK\$'000	2023 HK\$'000
Analysed for reporting purpose as:		
Non-current liabilities	272	503
Current liabilities	317	215
	589	718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

25. PROVISION FOR REINSTATEMENT COSTS *(Continued)*

	Provision for reinstatement costs HK\$'000
At 1 April 2022	891
Utilisation	(3)
Reversal	(170)
At 31 March 2023	718
Provision made	135
Utilisation	(75)
Reversal	(189)
At 31 March 2024	589

Provision for reinstatement costs represents the present value of the estimated cost for the restoration work of the Group's leased clinics and offices agreed to be carried out upon the expiry of the relevant leases.

26. BANK BORROWING

	2024 HK\$'000	2023 HK\$'000
Bank Borrowing	8,431	–

	2024 HK\$'000	2023 HK\$'000
The carrying amounts of above borrowing that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	781	–
Within a period of more than one year but not exceeding two years	810	–
Within a period of more than two years but not exceeding five years	2,613	–
Within a period of more than five years	4,227	–
	8,431	–

The bank borrowing was unsecured and personal guaranteed by Mr. Chan Chi Wai, Nelson, the executive director of the Group. The bank borrowing was carried variable interest rate at 3.625% as at 31 March 2024 with repayable on demand clause.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. SHARE CAPITAL

	No. of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2022	5,000,000,000	50,000,000
Share consolidation (Note)	(4,800,000,000)	–
Ordinary shares of HK\$0.25 each		
At 31 March 2023 and 31 March 2024	200,000,000	50,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2022	1,040,000,000	10,400,000
Share consolidation (Note)	(998,400,000)	–
Ordinary shares of HK\$0.25 each		
At 31 March 2023 and 31 March 2024	41,600,000	10,400,000

Note:

Share consolidation

Pursuant to the Extraordinary General Meeting of the Company passed on 11 August 2022 and the approval granted by the GEM Listing Committee of the Hong Kong Stock Exchange, the share consolidation set out below became effective on 15 August 2022.

Every twenty-five (25) issued and unissued shares of par value of HK\$0.01 each of the Company be consolidated into one (1) consolidated share of par value of HK\$0.25 in the capital of the Company.

28. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK\$210,000 (2023: HK\$360,000). The property is rented to Face Factor, a related company of the Group. Please refer to notes 20 and 29 for details.

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

	2024 HK\$'000	2023 HK\$'000
Minimum lease payments under operating leases:		
Within one year	180	60
In the second to fifth year inclusive	195	–
	375	60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

29. RELATED PARTY DISCLOSURES

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

Name of related companies/party	Relationship	Nature of transactions	2024 HK\$'000	2023 HK\$'000
Face Factor	Related company	Rental income	210	360
I-Teeth	Related company	Dental professional services expense	9,601	10,164
I-Teeth	Related company	Rental expense	96	96
Times Insurance	Related company	Commission expense	432	428
Dr. Chiu Chong Po Kenny ("Dr. Chiu") ¹	Related party	Rental expense	144	504
Karvin Investment	Related company	Rental expense	300	300

1. Dr. Chiu is a key management personnel of the Group.

(ii) Compensation of key management personnel

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

	2024 HK\$'000	2023 HK\$'000
Short-term benefits	8,038	7,490
Post-employments benefits	72	72
	8,110	7,562

Further details of the directors' emoluments are included in note 11.

30. RETIREMENT BENEFITS PLAN

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

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

The total expenses of HK\$1,251,000 (2023: HK\$1,372,000) recognised in profit or loss represent contributions paid or payable to the above schemes by the Group for the year ended 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. RETIREMENT BENEFITS PLAN *(Continued)*

Obligation to pay Long Service Payment (“LSP”) under Hong Kong Employment Ordinance (Chapter 57)

For the Group’s subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last month’s wages (before termination of employment) $\times 2/3 \times$ years of service

Last month’s wages are capped at HK\$22,500 while the amount of long service payment shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the employer to utilise its mandatory MPF contributions, for the purpose of offsetting LSP payable to an employee (“the Offsetting Arrangement”).

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset the LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group’s mandatory MPF contributions made prior to, on or after the Transition Date may continue to be applied to offset the pre-Transition Date LSP but are not eligible to offset the post-Transition Date LSP. On the other hand, the accrued benefits derived from the Group’s voluntary contributions made prior to, on or after the Transition Date may continue to be used to offset pre- and post-transition LSP. Furthermore, employment under continuous contract that falls before the Transition Date will be exempted and calculated based on the last month’s wages immediately preceding the Transition Date and the years of service up to that date. The Amendment Ordinance has no significant impact on the Group’s LSP liability with respect to employees that participate in MPF Scheme and the Group has accounted for the offsetting mechanism and its Abolition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowing and lease liabilities disclosed in notes 23 and 26 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

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

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets		
Financial assets at amortised cost	28,253	25,285
Financial liabilities		
Amortised cost	24,155	14,671
Lease liabilities	7,528	9,823

Financial risk management objectives and policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk relates primarily to variable-rate bank balances (see note 21) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

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

Foreign currency risk

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

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to account and other receivables, amount due from related parties and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Accounts receivables

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

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

Other receivables and amounts due from related parties

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

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For the year ended 31 March 2024

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Bank balances

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

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

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Descriptions	Accounts receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL — not credit-impaired	12m ECL
Watch list	The counterparty has amounts past-due but is continuously settling after due date and with continuous business transactions with the Company.	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources while the counterparty is with continuous business transactions with the Company.	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating that asset is credit-impaired.	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Notes	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amount HK\$'000	2023 Gross carrying amount HK\$'000
Financial assets at amortised cost					
Accounts receivables	19	Note (i)	Lifetime ECL	7,453	5,522
Deposits and other receivables	19	Note (ii)	12m ECL	3,374	4,260
Amount due from a related party	20	Note (ii)	Lifetime ECL	651	428
Bank balances	21	N/A Note (iii)	12m ECL	17,304	15,538

Notes:

- (i) For accounts receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.
- (ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.
- (iii) For the purposes of internal credit risk management, the Group uses external credit ratings of the banks to assess whether credit risk has increased significantly since initial recognition.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivables under the simplified approach.

	Life time ECL — not credit impaired HK\$'000
As at 1 April 2022	113
— Expected credit loss recognised	497
— Expected credit loss reversed	(113)
As at 31 March 2023	497
— Expected credit loss recognised	550
— Expected credit loss reversed	(497)
As at 31 March 2024	550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

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

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

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Over 3 months but not more than 1 year HK\$'000	Over 1 year but not more than 2 years HK\$'000	Over 2 years but not more than 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 March 2024								
Accounts and other payables	-	14,239	-	-	-	-	14,239	14,239
Amount due to a related party	-	1,485	-	-	-	-	1,485	1,485
Bank borrowing	3.63	268	806	1,074	3,223	4,568	9,939	8,431
Lease liabilities	3.91	1,676	3,238	2,512	349	-	7,775	7,528
At 31 March 2023								
Accounts and other payables	-	-	13,515	-	-	-	13,515	13,515
Amount due to a related party	-	-	1,156	-	-	-	1,156	1,156
Lease liabilities	4.33	-	2,113	4,653	2,910	498	10,174	9,823

Fair value measurements of financial instruments

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

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

33. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2024 and 2023 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Issued and fully paid share capital	Attributable equity interest held by of the Company		Principal activities
			2024	2023	
Medinet BVI	BVI 12 August 2015	US\$1,000 ordinary shares	100%	100%	Investment holding
Well Being Dental Services Limited	Hong Kong 22 December 1994	HK\$10,000,000 ordinary shares	100%	100%	Provision of dental solutions and dental services
Medinet Services Limited	Hong Kong 29 March 1994	HK\$10,000,000 ordinary shares	100%	100%	Provision of medical solutions services
Medinet Health Centre Limited	Hong Kong 9 December 1998	HK\$500,000 ordinary shares	100%	100%	Provision of medical consultation service
Men's Health Solutions Limited	Hong Kong 20 October 2003	HK\$10,000 ordinary shares	100%	100%	Provision of medical consultation service
Medinet Genetics Limited	Hong Kong 12 December 2017	HK\$2,000,000 ordinary shares	100%	100%	Provision of laboratory services
Medinet Privilege Limited	Hong Kong 22 August 2016	HK\$10,000 ordinary shares	100%	100%	Provision of online service to sell dental and medical consultation services
Master Clever Limited	Hong Kong 30 June 2016	HK\$1 ordinary shares	100%	100%	Provision of dental services
Shenzhen Medinet Dental Clinic Limited* 深圳醫匯卓越時代口腔門診部*	PRC 23 August 2017	RMB3,000,000 registered capital	100%	100%	Provision of dental solutions and dental services
Medinet Medical Services (Shenzhen) Limited* 醫匯醫療服務(深圳)有限公司*	PRC 23 February 2017	HK\$1,000,000 registered capital	100%	100%	Provision of medical consultation service
Great Smile Limited	Hong Kong 11 August 2021	HK\$300,000 ordinary shares	70%	70%	Provision of invisible orthodontic braces

* English translation for identification purpose only.

* These are companies registered as wholly-foreign-owned enterprises under PRC law.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activity, including both cash and non-cash changes. Liabilities arising from financing activity is those for which cash flows was, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Bank borrowing HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2022	–	12,847	12,847
Financing cash flows	–	(9,525)	(9,525)
Finance costs	–	560	560
New leases entered	–	6,220	6,220
Lease early terminated	–	(38)	(38)
COVID-19-related rent concession (Note 6)	–	(241)	(241)
At 31 March 2023	–	9,823	9,823
Financing cash flows	8,194	(8,205)	(11)
Finance costs	237	423	660
New leases entered	–	5,492	5,492
Lease early terminated	–	(5)	(5)
At 31 March 2024	8,431	7,528	15,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Investment in a subsidiary	20,481	20,481
Amount due from a subsidiary	4,595	4,389
	25,076	24,870
Current assets		
Amounts due from subsidiaries	8,708	5,248
Other receivables and prepayments	173	158
Bank balances	109	511
	8,990	5,917
Current liabilities		
Accruals and other payables	147	294
Amounts due to subsidiaries	19,110	16,222
	19,257	16,516
Net current liabilities	(10,267)	(10,599)
Net assets	14,809	14,271
Capital and reserves		
Share capital	10,400	10,400
Reserves	4,409	3,871
Total equity	14,809	14,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

Movement in the Company's reserves:

	Share premium HK\$'000 (Note i)	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2022	125,065	796	(122,450)	3,411
Profit and total comprehensive income for the year	–	–	460	460
At 31 March 2023	125,065	796	(121,990)	3,871
Profit and total comprehensive income for the year	–	–	538	538
At 31 March 2024	125,065	796	(121,452)	4,409

Note:

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

36. LITIGATION

In July 2021, a patient ("the plaintiff") sued 深圳醫匯卓越時代口腔門診部 (for transliteration purpose only, Shenzhen MediNet Dental Clinic Limited) ("Shenzhen MediNet") for negligence, as the plaintiff fell down in the clinic. Shenzhen MediNet tried to negotiate a settlement but failed to reach an unanimous consent between both parties. Currently, pursuant to the 2nd court session judgment, Shenzhen MediNet is ordered to compensate approximately RMB32,000 to the plaintiff. Since the plaintiff's heirs were not able to reach the consent of the payment approach, the case was not concluded as at 31 March 2024.

37. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

FINANCIAL SUMMARY

For the five years ended 31 March 2020, 2021, 2022, 2023 and 2024

RESULTS

	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000
Revenue	144,944	129,481	121,068	110,392	116,248
(Loss) profit before taxation	(14,148)	4,746	(6,735)	(25,463)	(7,999)
Income tax (expense) credit	(794)	9	358	313	(105)
(Loss) profit for the year	(14,942)	4,755	(6,377)	(25,150)	(8,104)

ASSETS AND LIABILITIES

	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000
Total assets	72,444	75,888	68,460	42,875	42,026
Total liabilities	(34,203)	(32,840)	(31,822)	(31,546)	(38,845)
Net assets	38,241	43,048	36,638	11,329	3,181
Equity attributable to owners of the Company	38,241	43,048	36,799	11,758	3,632
Non-controlling interests	–	–	(161)	(429)	(451)
	38,241	43,048	36,638	11,329	3,181



MediNet

Group Ltd

醫匯集團有限公司