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China Health Group Limited
中國衛生集團有限公司

(Carrying on business in Hong Kong as CHG HS Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 673)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the "Board") of directors (the "Directors") of China Health Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 together with the comparative figures for the corresponding year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**45,160**	32,183
Cost of goods sold/services rendered		**(27,908)**	(16,059)
Gross profit		**17,252**	16,124
Other income	*6*	**7,798**	8,470
Other loss, net	*6*	**(14,937)**	(6,920)
Share-based payment	*8*	**(9,926)**	–
Administrative expenses		**(33,121)**	(37,728)
Finance costs	*7*	**(148)**	–
Fair value (loss)/gain on investment property		**(1,258)**	129

	Notes	For the year ended 31 March 2020 HK$'000	2019 HK$'000
LOSS BEFORE TAX	*8*	**(34,340)**	(19,925)
Income tax	*9*	**(1,435)**	(3,088)
LOSS FOR THE YEAR		**(35,775)**	(23,013)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(36,679)**	(23,081)
Non-controlling interest		**904**	68
		(35,775)	(23,013)
LOSS PER SHARE	*10*		
Basic		**(HK0.89 cents)**	(HK0.57 cents)
Diluted		**(HK0.89 cents)**	(HK0.57 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(35,775)**	(23,013)
Other comprehensive expense:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(11,157)**	(9,689)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(46,932)**	(32,702)
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	**(47,971)**	(32,770)
Non-controlling interest	**1,039**	68
	(46,932)	(32,702)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**24,295**	331
Right-of-use assets		**5,034**	–
Goodwill		**22,603**	–
Intangible asset		**–**	14,692
Investment in associate		**–**	–
Investment properties		**–**	17,800
Loan receivables		**–**	25,362
		51,932	58,185
CURRENT ASSETS			
Inventories		**6,560**	164
Trade receivables	*11*	**35,838**	32,796
Prepayments, deposits and other receivables		**5,013**	26,073
Loan and interest receivables		**87,243**	68,089
Cash and bank balances		**10,245**	29,934
		144,899	157,056
CURRENT LIABILITIES			
Trade payables	*12*	**14,099**	4,363
Other payables and accrued expenses		**70,063**	73,168
Contract liabilities		**2,422**	–
Lease liabilities		**1,266**	–
Tax payable		**6,383**	5,665
		94,233	83,196

	Notes	**2020**	2019
		HK$'000	*HK$'000*
NET CURRENT ASSETS		**50,666**	73,860
TOTAL ASSETS LESS CURRENT LIABILITIES		**102,598**	132,045
NON-CURRENT LIABILITIES			
Lease liabilities		**1,864**	–
NET ASSETS		**100,734**	132,045
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**413,995**	409,395
Reserves		**(317,023)**	(278,978)
		96,972	130,417
Non-controlling interests		**3,762**	1,628
TOTAL EQUITY		**100,734**	132,045

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and principal place of business is located at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are engaged in distribution and service in medical equipment and consumables, hospital operation and management services, business service and property investment during the year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The consolidated financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

3. 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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review; and

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

On transition, the Group has made the following adjustments upon application of HKFRS 16:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	1,860
Less: Recognition exemption – short-term leases	(1,860)
Lease liabilities at 1 April 2019	–

As a lessor

In accordance with the transitional provision of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Transition to HKFRS 16 does not have impact on accumulated losses at 1 April 2019.

4. OPERATING SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Directors being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focus on types of goods or services delivered or rendered.

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

– Distribution and service in medical equipment and consumables;

– Hospital operation and management services;

– Business service; and

– Property investment

Segment assets excluded other corporate assets as these assets are managed on a group basis.

Segment liabilities excluded amounts due to de-consolidated subsidiaries and other corporate liabilities as these liabilities are managed on a group basis.

The following is an analysis of the Group's revenue and results by operating segments for the year ended 31 March 2020 and 2019:

For the year ended 31 March 2020	**Distribution and service in medical equipment and consumables**	**Hospital operation and management service**	**Business service**	**Property investment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
Revenue from external customers	**29,653**	**11,104**	**3,671**	**732**	**45,160**
Segment results	**3,388**	**(11,580)**	**(7,085)**	**(1,503)**	**(16,780)**
Reconciliation:					
Interest income and unallocated income					**1,335**
Corporate and other unallocated expenses					**(18,895)**
Loss before tax					**(34,340)**
Depreciation and amortisation	**24**	**1,923**	**18**	**238**	**2,203**
Reconciliation:					
Unallocated depreciation and amortisation					**301**
					2,504

For the year ended 31 March 2019	Distribution and service in medical equipment and consumables *HK$'000*	Hospital management service *HK$'000*	Business service *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue					
Revenue from external customers	16,929	9,883	4,201	1,170	32,183
Segment results	(1,262)	2,644	2,139	(142)	3,379
Reconciliation:					
Interest income and unallocated income					91
Corporate and other unallocated expenses					(23,395)
Loss before tax					(19,925)
Depreciation and amortisation	61	1,347	–	–	1,408
Reconciliation:					
Unallocated depreciation and amortisation					267
					1,675

The following table is an analysis of the Group's assets and liabilities and other segment information as at 31 March 2020 and 2019:

For the year ended 31 March 2020

	Distribution and service in medical equipment and consumables ***HK$'000***	**Hospital operation and management services** ***HK$'000***	**Business service** ***HK$'000***	**Property investment** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**20,594**	**79,139**	**60,738**	**35,226**	**195,697**
Corporate and other unallocated assets					**1,134**
Total assets					**196,831**
Segment liabilities	**7,070**	**24,760**	**964**	**2,066**	**34,860**
Corporate and other unallocated liabilities					**61,237**
Total liabilities					**96,097**

For the year ended 31 March 2019

	Distribution and service in medical equipment and consumables *HK$'000*	Hospital management service *HK$'000*	Business service *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment assets	85,982	91,369	13,547	17,800	208,698
Corporate and other unallocated assets					6,543
Total assets					215,241
Segment liabilities	8,313	9,875	4,449	4,455	27,092
Corporate and other unallocated liabilities					56,104
Total liabilities					83,196

Geographical information

For the years ended 31 March 2020 and 2019, the Group's operations and its non-current assets are principally located in the PRC, accordingly no geographical segment information is presented.

Information about major customers

During the year ended 31 March 2020, the Group had transactions with one customer (2019: two customers) who contributed over 10% of the Group's total net revenue, which is summarised below:

	2020 ***HK$'000***	2019 *HK$'000*
Customer 1	**N/A***	8,440
Customer 2	**7,584**	5,472
	7,584	13,912

* The corresponding revenue did not contribute over 10% of the total sales of the Group during the year ended 31 March 2020.

5. REVENUE

Revenue from the Group's principal activities, which is also the Group's revenue, represented the net invoiced value of goods sold and services rendered, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts, with customers with the scope of HKFRS 15, disaggregated by major products or services lines:		
Income from distribution and service in medical equipment and consumables*	**29,653**	16,929
Income from provision of hospital operation and management services* (Note)	**11,104**	9,883
Service fee income*	**3,671**	4,201
Rental income*	**732**	1,170
	45,160	32,183

* Income from provision of hospital operation and management services, service fee income and rental income is recognised over time and revenue from distribution and service in medical equipment and consumables is recognised at a point in time.

Note: The amount comprises (a) the management fee income from Shuangluan Hospital of approximately HK$3,293,000 (2019: approximately HK$8,249,000); (b) the management fee income and hospital operation income from Anping Hospital of approximately HK$7,811,000 (2019: HK$1,278,000); and (c) there was no management fee income from the Red Cross Hospital of Luanping County during the year ended 31 March 2020 (2019: HK$356,000).

6. OTHER INCOME/OTHER LOSS, NET

		2020 *HK$'000*	2019 *HK$'000*
(i)	Other income		
	Exchange gain	**3**	–
	Loan interest income	**5,857**	7,232
	Interest income	**530**	534
	Sundry income	**1,408**	704
		7,798	8,470
(ii)	Other loss, net		
	Impairment loss on loan and interest receivables	**(3,417)**	(134)
	Impairment loss reversed/(recognised) on trade receivables	**1,870**	(3,282)
	Impairment loss on other receivables	**(25)**	(3,504)
	Derecognition of intangible asset	**(13,365)**	–
		(14,937)	(6,920)

7. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest on lease liabilities	**148**	–

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2020 *HK$'000*	2019 *HK$'000*
Auditors' remuneration	**810**	780
Depreciation of right-of-use assets	**553**	–
Depreciation of property, plant and equipment	**1,214**	361
Loss on disposal of property, plant and equipment	**26**	532
Amortisation of intangible assets	**737**	1,314
Derecognition of intangible asset	**13,365**	–
Rental expenses in respect of office premises	**–**	2,496
Short-term lease payment	**1,062**	–
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**16,214**	14,478
– Share-based payment	**9,926**	–
– Contributions to defined contribution retirement plans	**558**	278

9. INCOME TAX

Hong Kong Profit Tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Subsidiaries established in PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2019: 25%).

	2020	2019
	HK$'000	*HK$'000*
Current tax-PRC		
Provision for the year	**1,435**	3,088

A reconciliation of the tax expense applicable to loss before tax at the statutory rates of the PRC, where the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(34,340)**	(19,925)
Tax at the statutory rate in the PRC of 25%	**(8,585)**	(4,981)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**1,745**	2,034
Tax effect of non-taxable income	**(132)**	(161)
Tax effect of non-deductible expenses	**3,969**	1,255
Tax losses not recognised	**4,438**	4,941
Tax charge for the year	**1,435**	3,088

10. LOSS PER SHARE

	2020 *HK$'000*	2019 *HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:	**(36,679)**	(23,081)

	2020 *'000*	2019 *'000*
Weighted average number of ordinary shares for the purpose of calculating loss per share	**4,122,304**	4,055,334

(a) Basic loss per share

For the year ended 31 March 2020, the calculation of basic loss per share amount is based on the net loss for the year of approximately HK$36,679,000 (2019: approximately HK$23,081,000) attributable to the equity holders of the Company, and weighted average of approximately 4,122,304,000 (2019: approximately 4,055,334,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The computation of diluted loss per share does not assume the exercise of the Company's share options for both years because their assumed exercise would result in an increase in loss per share. Accordingly, no diluted loss per share has been presented.

11. TRADE RECEIVABLES

	2020 *HK$'000*	2019 *HK$'000*
Trade receivables:		
Distribution and service in medical equipment and consumables	**12,138**	12,708
Hospital operation and management services	**20,774**	17,253
Business service	**2,926**	819
Property investment	**–**	2,016
	35,838	32,796

The Group's credit policies for each of its principal activities are as follow:

(i) Income from distribution and service in medical equipment and consumables business is with credit terms of 90 days.

(ii) Provision of hospital operation and management services is with credit terms of 0 to 90 days.

(iii) Provision of business service is with credit terms of 30 days.

(iv) Income from investment property is with credit term of 90 days.

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**3,979**	9,128
1 – 3 months	**1,627**	4,965
Over 3 months	**30,232**	18,703
	35,838	32,796

Aging of trade receivables which are past due but not impaired:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**10,260**	4,724
91 – 180 days	**2,573**	1,422
Over 180 days	**19,509**	13,297
	32,342	19,443

Trade receivables that were past due but not impaired were related to the customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the allowance for credit loss:

	2020	2019
	HK$'000	*HK$'000*
Balance at beginning of the year	**(3,874)**	–
(Reversal of)/impairment allowance, net	**1,870**	(3,874)
Balance at end of the year	**(2,004)**	(3,874)

12. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**14,099**	4,363

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 months	**1,604**	4,342
1-3 months	**1,440**	–
Over 3 months and within 1 year	**11,055**	21
	14,099	4,363

13. SHARE CAPITAL

	Notes	**No of shares**	**Share capital**
			HK$'000
Authorised:			
Ordinary shares of HK$0.1 each At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020		100,000,000,000	10,000,000
Issued and fully paid:			
At 1 April 2018		3,639,947,634	363,995
Issue of shares upon conversion of the convertible bonds	*(i)*	400,000,000	40,000
Subscription of shares	*(ii)*	54,000,000	5,400
At 31 March 2019 and 1 April 2019		**4,093,947,634**	**409,395**
Subscription of shares	*(ii)*	**46,000,000**	**4,600**
At 31 March 2020		**4,139,947,634**	**413,995**

Notes:

(i) In November 2015, convertible notes ("CN") with an aggregate principal amount of HK$225,000,000 which can be converted into 1,500,000,000 shares at a conversion price of HK$0.15 per share (subject to adjustments) were issued to Zheng Hua Investment Limited ("Zheng Hua") and Pacas Worldwide Limited ("Pacas"), both Zheng Hua and Pacas are independent third party to the Company. The maturity date of the CN is on the third anniversary of the date of issue. At the maturity date, any outstanding principal amount of the CN will be compulsorily converted into ordinary shares at HK$0.15 per share. The issuance of CN raising net proceeds of HK$224,400,000.

On 2 November 2018 and 25 March 2019, convertible notes with principal amount of HK$39,000,000 and HK$21,000,000 were converted into 260,000,000 and 140,000,000 shares by Pacas and Zheng Hua respectively. There was no outstanding CN as at 31 March 2019.

(ii) On 11 September 2018, the Company and the Trustee entered into the subscription agreement in relation to subscription of 100,000,000 ordinary shares of HK$0.10 per share. The gross proceeds from the placing are approximately HK$10,000,000.

On 17 December 2018 and 19 August 2019, an aggregate of 54,000,000 and 46,000,000 subscription shares were successfully allotted and issued to subscriber. The net proceeds of approximately HK$5,000,000 and HK$4,600,000 will be used for future business development, investment and general working capital purposes.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(b) On 24 April 2020, the Group entered into a non-binding memorandum of understanding (the "MOU") with Mission Venus International (HK) Company Limited (the "Mission Venus") which is primarily engaged in research and development of Chinese Herbal Skincare Products with its own special formula. The MOU relates to, among other things, (i) the proposed formation of a joint venture company; and (ii) leverage on the Company's healthcare industry network to distribute Mission Venus's products through the proposed joint venture to healthcare institutions in China. The MOU will remain in effect for 60 days. The MOU has been extended for a further 60 days on 24 June 2020. Further details of the above possible subscription were set out in the announcements of the Company dated 24 April 2020 and 24 June 2020.

(c) On 26 June 2020, the Company entered into a non-binding memorandum of understanding with Beijing Bowei Zhixin Investment Management Company Limited (the "General Partner") regarding potential investment of not more than RMB30 million as a limited partner in a fund (the "Fund") being established and to be managed by the General Partner. The Fund is an industrial investment sub-fund of the national science and technology achievement transformation guidance fund approved by the Ministry of Science and Technology of the People's Republic of China in January 2020. The Fund will have an initial size of RMB1,000 million and focus on investments in the medical equipment, bio-pharmaceutical and medical services sectors. Further details of the above were set out in the announcement of the Company dated 26 June 2020.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the report from the independent auditors, Elite Partners CPA Limited, on the Group's annual audited financial statements for the year ended 31 March 2020.

"QUALIFIED OPINION

We have audited the consolidated financial statements of China Health Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the opening balance and corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by 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 QUALIFIED OPINION

Opening balance and corresponding figures

The auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2019 ("2019 Financial Statements") contained qualification on the opening balance and corresponding figures ("Qualifications"). Details of which has been set out in the auditor's report for 2019 Financial Statements dated 28 June 2019.

As the 2019 Financial Statements formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the Qualifications would have an effect on (i) the opening balance of the corresponding figures in the consolidated financial statements for the year ended 31 March 2020; and (ii) the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 March 2020.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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 qualified opinion."

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

For the year ended 31 March 2020, the Group reported a revenue of approximately HK$45.2 million, representing an increase of 40.3% as compared to HK$32.2 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK$29.7 million (2019: HK$16.9 million); (b) income from hospital operation and management of approximately HK$11.1 million (2019: HK$9.9 million); (c) service fee income from business factoring of approximately HK$3.7 million (2019: HK$4.2 million); and (d) income from property investment of approximately HK$0.7 million (2019: HK$1.2 million), during the year.

The Group's loss attributable to shareholders for the year was approximately HK$36.7 million as compared to a net loss of approximately HK$23.1 million for the previous financial year. The increase in net loss was mainly attributable to (i) derecognition of intangible assets of approximately HK$13.4 million (2019: nil) as a result of completion of acquisition of Anping Kangrong Hospital Company Limited as mentioned below; and (ii) share based payment of approximately HK$9.9 million (2019: nil) during the year. Basic loss per share for the year was HK0.89 cents (2019: HK0.57 cents).

REVIEW OF BUSINESS OPERATION

For the year ended 31 March 2020, the existing business segments of the Group comprise (a) medical equipment and consumables distribution and service business; (b) hospital operation and management services business; (c) business factoring business; and (d) property investment.

(a) Medical equipment and consumables distribution and service business

During the year, the Group recorded revenue of approximately HK$29.7 million (2019: HK$16.9 million), representing an increase of 75.7% compared with last year, and operating profit of approximately HK$3.4 million (2019: loss of HK$1.3 million) from medical equipment and consumables distribution and service business respectively.

Currently, the Group's medical equipment and consumables distribution mainly focuses on minimally invasive interventional therapy related to coronary heart disease, mainly providing related equipment and consumables for PCI surgery (Percutaneous coronary intervention, which refers to a treatment method of using transcatheter catheter technology to unclog coronary lumens of stenosis or even occlusion, thereby improving the blood perfusion of myocardium). The number of PCI surgery in the PRC maintains stable growth, representing an increase from 228,000 in 2009 to more than 1 million in 2019, representing a compound growth rate of 16.7%. In the context of the patients of coronary heart disease getting younger, the aging of the population and the continuous advancement of hierarchical diagnosis and treatment, it is expected that the number of PCI surgery will continue to grow at an annual rate of approximately 13% to 16% in the next 3 to 5 years, reflecting a huge room for growth.

Review of business development

In the early years, the Group provided PCI surgery-related medical equipment and consumables distribution and services to the managed hospitals through its subsidiaries. In August 2018, the Group cooperated with an independent third party to establish 馬格瑞茲（武漢）醫療技術發展有限公司 (Mageruizi (Wuhan) Medical Technology Development Co., Ltd.) ("Mageruizi Wuhan") to develop the distribution of high-value medical equipment and consumables and related services business in Wuhan.

Commencing the operation in 2018, Mageruizi Wuhan, with Wuhan as its center, developed tertiary hospitals including Wuhan No.1 People's Hospital, Wuhan No.3 People's Hospital, and Xiantao People's Hospital; and initially established a cooperative relationship with Sino Medical, a leading domestic cardiac stent manufacturer, with an annual sales of approximately HK$17 million as at 31 March 2019. In 2019, the operating model of the Company gradually became matured and entered into the fast track of development. With Hubei as its center, the Company developed a series of hospital clients such as Wuhan Asian Heart Hospital, Huanggang Central Hospital（黃岡市中心醫院）, Wuxue Traditional Chinese Medicine Hospital（武穴市中醫醫院）, Fuwai Huazhong Hospital（阜外華中醫院）, Jiujiang University Affiliated Hospital, Ganzhou Municipal Hospital, Jiujiang No.1 People's Hospital, and established good strategic partnerships with many leading PCI-related medical device manufacturers including Medtronic, Inc., Johnson & Johnson, Boston Scientific Corporation, and Abbott Laboratories. As at 31 March 2020, the annual sales reached approximately HK$30 million.

In 2020, although the development momentum of Mageruizi Wuhan is inevitably affected by COVID-19, benefiting from the advantages of its subdivided industries and good relationships with hospital customers and various manufacturers' brands, Mageruizi Wuhan overcame various difficulties, on the one hand, it vigorously expanded new hospital customers, including a batch of top-quality hospitals such as Hubei Provincial People's Hospital（湖北省人民醫院）and Zhongnan Hospital of Wuhan University; on the other hand, it conducted in-depth cooperation with well-known domestic and foreign manufacturers, for which it not only introduced new partners including Microport Scientific Corporation, but also undertook the platform functions of manufacturers such as Boston Scientific Corporation in central China. Against the background of the epidemic in the first half of this year, it will usher in a more rapid development momentum and is expected to have significant increase of sales in the second half of the year.

Mageruizi Wuhan currently focuses on the provision of related medical equipment and consumables for PCI surgeries. Since its inception, the Company, in the spirit of focus, care, innovation and efficiency, has accumulated extensive experience in the development and maintenance of high-end hospital customers through consistent practice, and has established close partnerships with major PCI surgical instrument manufacturers around the world. At the same time, a professional, high-level management and sales team has been created, gradually forming a development model featuring "focus, win-win results and replicability".

Business model and development plan

With the development and accumulation of the business model for three years, the Group has gradually created a development model of "focus, win-win results and replicability" for the PCI business after continuous exploration and improvement.

– Focus: the scale of China's medical healthcare industry exceeded RMB7 trillion in 2018, and will exceed RMB8 trillion in 2020. Faced with such a huge industrial scale, Mageruizi Wuhan will focus on the market segment of PCI treatment of coronary heart disease. The establishment of management and sales team, and the development of hospital customers and product line are all conducted around this segmented industry.

– Win-win results: the PCI business of Mageruizi Wuhan has been rising steadily on an annual basis, with rapid development momentum, which is attributable to the win-win practice in term of the Company's shareholder benefit distribution and employee incentive mechanism, the customer development amid the national medical reform, and strategic partnerships with manufacturers.

– Replicability: the PCI business development of Mageruizi Wuhan gradually formed a reproducible development model. By pushing the mature and reproducible model in Central China to the Beijing-Tianjin-Hebei Region represented by Beijing, the Yangtze River Delta Region represented by Shanghai, and the Pearl River Delta Region represented by Guangzhou, the Company is expected to achieve a leaping growth in the near future.

Development plan-the Company will adhere to the development path of "focus, win-win results and replicability" for a long time, and focus on the continuous investment of more resources in the PCI field. The development plan for the next 3 years is set out below:

– In the short term, to quickly expand the business scale and become the leading platform supplier in the region. The core competitiveness of the Company's CPI business is taking shape, being to build a service network of well-known hospitals of more than three levels with Wuhan as its center, further development in Hubei and covering central China, establish good strategic partnerships with leading manufacturers around the world, and create a relatively influential equipment supply platform for the entire industry chain in the region, which centers on the each link of PCI surgery by integrating cardiovascular interventional devices such as balloons, guidewire catheters, etc., cardiovascular implantable apparatus such as stents, occluders, valves, etc., and cardiac rhythm management device such as pacemakers, pacing electrode leads, etc.

– In the medium and long term, to march from a platform supplier to a brand manufacturer. While expanding the business scale and creating an influential platform, Mageruizi Wuhan will continue to explore the manufacturing business of PCI equipment segment and gain a firm presence in the field of manufacturing and continue to extend. Over time, the Group will develop into a leading company integrating R&D, manufacturing and sales in the PCI industry.

(b) Hospital operation and management services business

Shuangluan Hospital

The Group obtained the operation right of 承德市雙灤區人民醫院暨承德市精神病醫院 (Shuangluan District, Chengde City Hospital (Chengde City Psychiatric Hospital)) ("Shuangluan Hospital") in July 2015 and introduced a new management model to the hospital. Through the introduction of information technology system, the reorganization of management structure, and the implementation of full cost performance appraisal and meticulous management, the hospital has achieved significant improvement. Shuangluan Hospital was relocated to a new site in August 2016. The new hospital covers an area of 46 acres, with completed construction area of 37,000 square meters and 400 beds in the first phase. The second phase construction of "Psychiatry Building" has been completed and the "Psychiatry Building" provides 400 beds to psychiatry department.

The Group is entitled to a management fee equivalent to 3% of the revenue of Shuangluan Hospital and recorded management fee of approximately HK$3.3 million (2019: HK$8.2 million) during the year. The Group is actively negotiating with Shuangluan hospital and the Shuangluan District People's Government of Chengde City on the principal and interest of the loan due from Shuangluan hospital.

Anping Kangrong Hospital Company Limited and Anping Bo'ai Hospital

安平博愛醫院 ("Anping Bo'ai Hospital"), which is located in Anping County, Hebei Province, China, is now reorganized into Anping Kangrong Hospital Company Limited ("Anping Kangrong") as mentioned below and changes into a private profit Class II general hospital. The total gross floor area of the hospital is approximately 6,123 square metres, of which approximately 3,000 square metres are for treatment and diagnosis use, offering up to 130 beds at the Anping Bo'ai Hospital. The hospital provides services covering clinical medicine, pediatrics, surgery, gynecology, traditional Chinese medicine and otolaryngology through outpatient services, hospitalization and general medical services including health examinations and diagnosis.

The Group took over the operation of Anping Bo'ai Hospital in October 2016 and is entitled to a management fee equivalent to 6% of the revenue of Anping Bo'ai Hospital. Management fee of approximately HK$0.7 million (2019: HK$1.3 million) was recognised during the year.

On 28 December, 2018, the Group, the shareholders of Anping Bo'ai Hospital, namely Mr. Sang Shiwen and Mr. Han Jianbin, entered into the share purchase agreement (as supplemented by certain supplemental agreements) for acquisition of 70% equity interest of Anping Bo'ai Hospital (which will be transformed to a for-profit hospital and will become the target company, i.e. Anping Kangrong, to be acquired) at cash consideration of RMB4.2 million (equivalent to approximately HK$4.79 million). A deposit of RMB1.8 million (equivalent to approximately HK$2.05 million) has also been paid in respect of the acquisition of the remaining 30% equity interests of Anping Kangrong. The acquisition of 70% and 30% equity interests of Anping Kangrong has been completed on 24 October 2019 and 18 March 2020 respectively. Therefore, Anping Kangrong has become an indirect wholly-owned subsidiary of the Company. Further details of the acquisition were set out in the announcements of the Company dated 28 December 2018, 1 February 2019, 28 February 2019, 10 May 2019, 20 June 2019, 28 June 2019, 31 July 2019, 24 September 2019, 25 October 2019 and 18 March 2020 and the circular of the Company dated 25 September 2019.

Upon completion of acquisition and consolidation of Anping Kangrong into the Group on 13 November 2019, the Group recorded revenue of approximately HK$7.1 million (2019: nil) and expenses of derecognition of intangible assets of approximately HK$13.4 million (2019: nil) during the year.

Red Cross Hospital of Luanping County and the Hong Fu Eldercare and Nursing Home of Luanping County

The Group took over the operation right of 灤平縣紅十字醫院 ("Red Cross Hospital of Luanping County") and 灤平縣鴻福養老護理院 ("Hong Fu Eldercare and Nursing Home of Luanping County") in April 2017. The Group is entitled management fee equivalent to 3% of the revenue of Red Cross Hospital of Luanping County. There was no management fee received during the year (2019: HK$0.4 million). On 18 July 2019, the agreement in relation to such management right has been terminated.

(c) Business factoring business

During the year, the Group conducted business factoring business for hospitals which also brings in steady revenue and profits to the Group as well as provides the necessary funding to hospitals for improving quality of services by these hospitals.

(d) Property investment

The Group completed acquisition of properties of Anping Bo'ai Hospital at a consideration of RMB15 million in November 2017 and generate stable rental income to the Group during the year. Following completion of acquisition of Anping Kangrong as stated above, the properties has become fixed assets of the Group and rental income generated has been eliminated on consolidation and the Group is not engaged in property investment business.

FUTURE PROSPECT

With the continuous social and economic development, urbanization and huge ageing population in Mainland China, the medical and healthcare industry has shown a diversified and continuous growth in recent years. Especially in the fields of biomedicine, high-end medical equipment and advanced treatment technology, it has achieved rapid development in recent years, showing huge market potential and creating good conditions for the Group to expand its business fields.

During the year, The Group's cardiovascular device distribution business has come a long way, and a distribution network has been established in the Central China. In the coming year, the Group will continue to invest more resource to further expand the distribution network and gradually increase the number of distribution line. Meanwhile, with an aim to gain a foothold in cardiovascular device filed, the Group seeks opportunity to integrate the industry chain of cardiovascular device and gradually enter into the field of cardiovascular device production and research and development.

Hospital operation and management remains an important business of the Group. In the future, the Group will focus on the development of self-operated hospital specialized in cardiovascular field and strengthen the cooperation with cardiovascular specialist groups. In recent years, the government has continuously strengthened the public welfare function. The commercial custody of public hospitals faces uncertain policy risks. The Group will reassess and adjust the public hospital custody business from time to time.

In the future, the Group will take advantage of the tremendous opportunities for the development of the medical and big health industry, especially the business opportunity for import substitution of high value medical device. We will focus on market segments such as cardiovascular device, and gradually build itself into a professional device supplier with research and development, manufacturing and sales ability. The board of directors believe that adhering to this strategy, the Group will continue to improve its operating performance and create reasonable return for shareholders.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On 22 December 2019, the Company entered into a letter of intent (the "LOI") with a company and its 100% beneficial owner in relation to the potential subscription of new shares in the target company which is a biotechnology company in the Jiangsu Province, the PRC and is principally engaged in the research and development and manufacturing of In Vitro Diagnostics products used for early screening of digestive tract tumors such as colorectal cancer. Pursuant to the LOI, the Company intends to subscribe for new shares representing 10% of the enlarged issued share capital of the target company in cash for a total subscription price of RMB10 million. The parties also intend that the Company shall also have the option to increase its equity interest in the target company to 30% within the following 12 months. Further details of the above possible subscription were set out in the announcement of the Company dated 22 December 2019.

Save as the above and acquisition of 100% equity interests of Anping Kangrong as stated above, there were no other significant investments, material acquisitions and disposals during the year.

FUND RAISING ACTIVITY

On 11 September 2018, the Company and a trust, namely CHG Victory Limited, which holds the subscription shares on trust for 25 persons who are employees and/or consultant of the members of the Group, entered into the subscription agreement in respect of 100,000,000 subscription shares at a subscription price of HK$0.10 per subscription share. The gross proceeds and net proceeds from the subscription are HK$10 million and HK$9.6 million (representing HK$0.096 per subscription share) respectively. 54,000,000 subscription shares and 46,000,000 subscription shares were issued to CHG Victory Limited on 17 December 2018 and 19 August 2019 respectively raising net proceeds of HK$9.6 million. The net proceeds replenished the financial resources of the Group for future business development, investment and general working capital uses. Details of the subscription were disclosed in the announcements of the Company dated 11 September 2018 and 19 August 2019.

Save as disclosed above, there was no other fund raising activity during the year.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow and fund raising activity as stated above during the year. As at 31 March 2020, the Group's cash and cash equivalents amounted to approximately HK$10.2 million (2019: HK$29.9 million).

As at 31 March 2020, the current assets and net current assets of the Group are approximately HK$144.9 million (2019: HK$157.1 million) and HK$50.7 million (2019: HK$73.9 million) respectively, representing a current ratio of 1.54 (2019: 1.89).

As at 31 March 2020, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4 million (2019: US$4 million) (equivalent to approximately HK$30.9 million), which is in dispute as disclosed in the section headed "Material litigations" below, was included in other payables and accrued expenses.

As at 31 March 2020, the gearing ratio was 0.32 (2019: 0.24), calculated by dividing dividend payable on redeemable convertible cumulative preference shares (representing debt owed by the Company) by shareholders' equity of approximately HK$97.0 million (2019: HK$130.4 million).

The Group conducted its continuing operational business transactions mainly in Renminbi and Hong Kong dollars. The Group did not arrange any forward currency contracts for hedging purposes.

MATERIAL LITIGATIONS

On 12 September 2016, the Company received a statutory demand (the "Statutory Demand") from Li Hong Holdings Limited ("Li Hong") in respect of repayment of dividend payable on redeemable convertible cumulative preference shares in the sum of US$4.0 million (equivalent to approximately HK$30.9 million) (the "Alleged Outstanding Sum"). Such amount has been included in other payables and accrued expenses in the Company's consolidated balance sheet as at 31 March 2016. An originating summons (the "Originating Summons") under action number HCMP2593/2016 has been issued by the Company (as plaintiff) against Li Hong (as defendant) on 27 September 2016. Pursuant to the Originating Summons, the Company sought, amongst others, the following reliefs against Li Hong: (1) an order that Li Hong be restrained from presenting any petition for the winding-up of the Company based on the Alleged Outstanding Sum; and (2) costs.

A hearing took place on 30 September 2016 at the High Court of Hong Kong (the "Court"), during which Li Hong has undertaken not to file a winding-up petition against the Company based on the Alleged Outstanding Sum and the Company has undertaken (i) to pay the sum of US$4.0 million or its equivalent into the Court within 21 days from the date of the hearing, which was so paid on 19 October 2016; and (ii) to comply with any order the Court may make if the Court later finds that Li Hong's undertaking has caused loss to Li Hong or any other party and decides that Li Hong or that other party should be compensated for that loss. On 8 February 2017, another Court hearing took place and it was ordered, among other things, that (i) Li Hong be restrained from presenting any petition for the winding-up of the Company based on the Alleged Outstanding Sum; and (ii) the sum of US$4.0 million or its equivalent paid into the Court be released to the Company. Pursuant to the reasons for judgment handed down by the Court dated 29 March 2017, it was concluded that the Company has shown that there is bona fide dispute of the Alleged Outstanding Sum on substantial grounds and the presentation of a winding-up petition by Li Hong would be an abuse of process. The Court further commented that new information filed for the Company lend credence to the Company's case that the loan note dated 1 August 2015 to Li Hong (the "Loan Note") was in fact issued by the Company pursuant to a backdoor arrangement made or participated in by Mr. Li Zhong Yuan ("Mr. Li", a former Director) for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was nominee for the purpose of receiving the Loan Note. As stated in the judgment, it follows that it must at least be open to serious argument that the Loan Note is not enforceable by Li Hong against the Company, because the issue of the Loan Note by the Company to Mr. Li's nominee (i.e. Li Hong) would involve a breach of fiduciary duty on Mr. Li's part of which Li Hong had knowledge. It was also mentioned in the judgment that Li Hong clearly does not have a valid cause of action against the Company based on a letter dated 31 July 2015 issued by Capital Foresight Limited ("Capital Foresight") and/or an agreement dated 23 November 2012 between the Company and Capital Foresight (the "Capital Foresight Agreement") being alleged evidence for the Statutory Demand as Li Hong is not a party to either of those documents and neither of those documents give rise to any contract or claim enforceable by Li Hong against the Company. Details of the above have been set out in the announcements of the Company dated 28 September 2016, 3 October 2016 and 30 March 2017 (the "Litigation Announcements").

Further to the Statutory Demand and upon internal investigation, the Company believes that the US$4.0 million as set out in the Litigation Announcements belongs to the Company on the following grounds: (1) that the Capital Foresight Agreement executed by Mr. Li, a then executive director and chairman of the Company and removed on 18 June 2016, was purportedly entered into in breach of Mr. Li's fiduciary duties and without authority, and Capital Foresight was knowingly complicit in this arrangement; (2) that the Loan Note issued by the Company (under its former name China Healthcare Holdings Limited), executed by Mr. Li purportedly on behalf of the Company in favour of Li Hong was purportedly entered into in breach of Mr. Li's fiduciary duties, without authority and inconsistent with the Company's articles of association; and (3) the Capital Foresight Agreement and the Loan Note were and are void or voidable and unenforceable. On this basis, on 7 November 2017, a writ of summons under action number HCA2549/2017 has been issued in the Court by the Company against Mr. Li as 1st defendant, Capital Foresight as 2nd defendant and Li Hong as 3rd defendant (together, the "Defendants"). Pursuant to the writ, the Company sought, amongst others, the following reliefs against the Defendants: (i) a declaration that the Capital Foresight Agreement executed by Mr. Li is void or voidable and unenforceable; and (ii) a declaration that the Loan Note is void or voidable and unenforceable, as announced in the announcement of the Company dated 8 November 2017. Following that announcement, an acknowledgement of service and a statement of claim were filed in December 2017. Pursuant to a Court order, this action has been consolidated with the action described below.

On 24 November 2017 and in connection with the Statutory Demand, the Company received a writ of summons dated 9 November 2017 claiming for an order directing the Company to forthwith issue in favour of Capital Foresight or its nominee a promissory note of US$4.0 million pursuant to the Capital Foresight Agreement, or alternatively US$4.0 million, interest and costs. Pursuant to a Court order, this action has been consolidated with the action described above.

In connection with the consolidated action and up to 31 March 2020, the parties have filed their respective pleadings with the Court. On 2 April and 7 May 2019, the Company issued a summons against the Defendants and a third party individual for discovery of documents relevant to the consolidated action (the "Requested Documents"). On 8 May 2019, the 1st defendant sought leave to adduce a legal opinion from a Bermuda legal expert. On 8 July 2019, the Court ordered the parties to the consolidated action to jointly report the progress of the expert direction application to the Court within a specified period. On 12 September 2019, the Court further ordered the parties' Bermuda legal experts to induce expert evidence on Bermuda law issues and to exchange reports, and prepare and lodge a joint statement addressing questions on which the experts have reached or failed to reach a common opinion and reasons for disagreement and their views. On 24 October 2019, the parties' Bermuda legal experts exchanged their respective reports. On 12 December 2019, a hearing for the third party discovery action took place at the Court during which the Court ordered the said third party individual to file an affirmation in response to the Company's request for documents and produce for inspection the Requested Documents save as those that could not be produced on the basis of legal professional privilege. On 20 January 2020, the parties' Bermuda legal experts filed a joint statement of experts. On 3 June 2020, the said third party individual filed an affirmation. The Company will keep the shareholders informed of the latest developments by making further announcement(s) as and when appropriate.

CONTINGENT LIABILITIES

As at 31 March 2020, there were no material contingent liabilities of the Group (2019: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2020, there was no charge on the Group's assets (2019: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group employed 115 employees (2019: 32). The total staff cost including Directors' emoluments and share based payment of approximately HK$9.9 million (2019: nil) was approximately HK$26.7 million as compared to approximately HK$14.5 million for the previous period. The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the defined contribution retirement plans and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group. On 26 April 2019, 321,994,763 share options were granted to directors and other certain eligible participants. 218,994,763 and 19,100,000 share options were cancelled and lapsed during the year respectively. There were 133,900,000 outstanding share options as at 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except for the below deviations:

1. Under paragraph A.1.8 of the Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company was unable to find any insurance company to provide insurance cover during the year and will continue to seek insurance companies to comply with the Code.

2. Under the A.4.1 of the Code, the non-executive Directors should be appointed for a specific term, subject to re-election. Currently, Mr. Weng Yu, Mr. Xing Yong and Mr. Hung Lianhai are not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

3. Under A.6.7 of the Code, independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Three non-executive Directors and three independent non-executive Directors did not attend the Company's annual general meeting held on 3 September 2019 due to their other unexpected business engagements.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS (THE "MODEL CODE")

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all Directors, all Directors declared that they have complied with the Model Code during the year.

NON-COMPLIANCE WITH LISTING RULE 3.10A

The number of independent non-executive Directors falls below the minimum number required under Rule 3.10A of the Listing Rules upon appointment of two non-executive Directors on 4 June 2019. Following the resignation of two non-executive Directors on 2 September 2019, the Company has fulfilled the requirement under Rule 3.10A of the Listing Rules.

The number of independent non-executive Directors falls below the minimum number required under Rule 3.10A of the Listing Rules again upon resignation of an independent non-executive Director on 22 January 2020. Following the appointment of Ms. Meng Junfeng as an independent non-executive Director on 21 April 2020, the Company has fulfilled the requirement under Rule 3.10A of the Listing Rules.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on 4 September 2020, Friday (the "AGM"). A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from 1 September 2020, Tuesday to 4 September 2020, Friday, both days inclusive, during which period no transfer of the shares can be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 31 August 2020, Monday.

REVIEW OF ANNUAL RESULTS

The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2020.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 March 2020 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Elite Partners CPA Limited ("Elite Partners") to the amounts set out in the Group's consolidated financial statements. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Elite Partners on this preliminary results announcement.

By order of the Board
China Health Group Limited
Zhang Fan
Chairman of the Board and Executive Director

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhang Fan (chairman), Mr. Chung Ho and Mr. Wang Jingming; five non-executive Directors, namely, Mr. Weng Yu, Mr. Xing Yong, Mr. Huang Lianhai, Mr. Zhang Dawei and Mr. Wang Yongming; and four independent non-executive Directors, namely, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Meng Junfeng.