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 2022

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 2022 together with the comparative figures for the corresponding year ended 31 March 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 March	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**107,025**	87,889
Cost of good sold/service rendered		**(78,336)**	(61,897)
Gross profit		**28,689**	25,992
Other income	*6*	**732**	6,476
Other gain/(loss), net	*6*	**2,452**	668
Share-based payment		**(773)**	(895)
Selling and distribution expenses		**(11,120)**	(9,508)
Administrative expenses		**(28,396)**	(27,770)
Finance costs	*7*	**(293)**	(294)

	Notes	For the year ended 31 March **2022** ***HK$'000***	 2021 *HK$'000*
LOSS BEFORE TAX	*8*	**(8,709)**	(5,331)
Income tax	*9*	**(405)**	(1,228)
LOSS FOR THE YEAR		**(9,114)**	(6,559)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(12,205)**	(7,744)
Non-controlling interests		**3,091**	1,185
		(9,114)	(6,559)
LOSS PER SHARE	*10*		
Basic		**(HK0.29 cents)**	(HK0.19 cents)
Diluted		**(HK0.29 cents)**	(HK0.19 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(9,114)**	(6,559)
Other comprehensive expense:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**6,725**	4,916
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(2,389)**	(1,643)
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	**(5,572)**	(2,828)
Non-controlling interests	**3,183**	1,185
	(2,389)	(1,643)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**25,356**	25,073
Right-of-use assets		**3,398**	4,023
Goodwill		**40,970**	22,603
Investment in an associate		**–**	–
Deposit for property, plant and equipment		**–**	1,658
Prepayment		**18,530**	–
		88,254	53,357
CURRENT ASSETS			
Inventories		**13,434**	5,080
Trade receivables	*11*	**38,156**	56,317
Prepayments, deposits and other receivables		**17,714**	18,524
Loan and interest receivables		**59,862**	79,946
Cash and bank balances		**8,537**	4,594
		137,703	164,461
CURRENT LIABILITIES			
Trade payables	*12*	**21,138**	17,079
Other payables and accrued expenses	*13*	**80,505**	86,653
Contingent consideration		**6,375**	–
Amount due to a director		**5,100**	5,758
Contract liabilities		**1,396**	651
Lease liabilities		**850**	1,084
Bank and other borrowings		**17,617**	3,553
Tax payable		**3,914**	2,327
		136,895	117,105

	Notes	**2022** ***HK$'000***	2021 *HK$'000*
NET CURRENT ASSETS		**808**	47,356
TOTAL ASSETS LESS CURRENT LIABILITIES		**89,062**	100,713
NON-CURRENT LIABILITIES			
Contingent Consideration		**3,930**	–
Lease liabilities		**–**	727
		3,930	727
NET ASSETS		**85,132**	99,986
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**413,995**	413,995
Reserves		**(334,417)**	(318,956)
		79,578	95,039
Non-controlling interests		**5,554**	4,947
TOTAL EQUITY		**85,132**	99,986

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 and business service 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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

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 three reportable operating segments as follows:

– Distribution and service in medical equipment and consumables;

– Hospital operation and management services; and

– Business service

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 2022 and 2021:

For the year ended 31 March 2022	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management service *HK$'000*	Business service *HK$'000*	Total *HK$'000*
Segment revenue				
Revenue from external customers	**88,912**	**17,958**	**155**	**107,025**
Segment results	**8,555**	**(2,539)**	**(83)**	**5,933**
Reconciliation:				
Interest income and unallocated income				**5,078**
Corporate and other unallocated expenses				**(19,720)**
Loss before tax				**(8,709)**
Depreciation and amortisation	**278**	**3,022**	**6**	**3,306**
Reconciliation:				
Unallocated depreciation and amortisation				**725**
				4,031

For the year ended 31 March 2021	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management service *HK$'000*	Business service *HK$'000*	Total *HK$'000*
Segment revenue				
Revenue from external customers	68,768	18,364	757	87,889
Segment results	2,640	(2,340)	(1,481)	(1,181)
Reconciliation:				
Interest income and unallocated income				1,444
Corporate and other unallocated expenses				(5,594)
Loss before tax				(5,331)
Depreciation and amortisation	139	3,414	5	3,558
Reconciliation:				
Unallocated depreciation and amortisation				13
				3,571

The following table is an analysis of the Group's assets and liabilities and other segment information as at 31 March 2022 and 2021:

For the year ended 31 March 2022

	Distribution and service in medical equipment and consumables ***HK$'000***	**Hospital operation and management services** ***HK$'000***	**Business service** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**104,115**	**80,896**	**18,906**	**203,917**
Corporate and other unallocated assets				**22,040**
Total assets				**225,957**
Segment liabilities	**101,111**	**25,624**	**458**	**127,193**
Corporate and other unallocated liabilities				**13,632**
Total liabilities				**140,825**

For the year ended 31 March 2021

	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management services *HK$'000*	Business service *HK$'000*	Total *HK$'000*
Segment assets	55,757	71,564	18,906	146,227
Corporate and other unallocated assets				71,591
Total assets				217,818
Segment liabilities	78,273	29,562	2,128	109,963
Corporate and other unallocated liabilities				7,869
Total liabilities				117,832

Geographical information

For the years ended 31 March 2022 and 2021, 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 2022 and 2021, the Group had transactions with two customer (2021: one customer) who contributed over 10% of the Group's total net revenue, which is summarised below:

	2022 ***HK$'000***	2021 *HK$'000*
Customer 1 (Distributing and service in medical equipment and consumables)	**N/A**	10,456

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:

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by major products or services lines:		
Income from distribution and service in medical equipment and consumables*	**88,912**	68,768
Income from provision of hospital operation and management services* (Note)	**17,958**	18,364
Service fee income*	**155**	757
	107,025	87,889

* Income from provision of hospital operation and management services and service fee income are recognised over time and income 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$nil (2021: approximately HK$3,088,000); (b) the management fee income and hospital operation income from Anping Hospital of approximately HK$17,958,000 (2021: HK$15,276,000).

6. OTHER INCOME AND OTHER GAIN/(LOSS), NET

	2022 HK$'000	2021 HK$'000
(i) Other income:		
Loan interest income	**327**	5,135
Interest income	**6**	8
Sundry income	**399**	1,333
	732	6,476

	2022	2021
	HK$'000	*HK$'000*
(ii) Other gain/(loss), net:		
Charge in fair value of contingent consideration	**4,752**	–
Reversal/(recognition) of impairment loss on loan and interest receivables	**(2,400)**	722
Reversal of impairment loss on trade receivables	**137**	124
Recognition of impairment loss on other receivables	**(37)**	(191)
Derecognition of right-of-use asset	**–**	13
	2,452	668

7. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on lease liabilities	**140**	224
Interest on bank loan	**153**	70
	293	294

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2022	2021
	HK$'000	*HK$'000*
Auditors' remuneration	**870**	810
Depreciation of right-of-use assets	**784**	741
Depreciation of property, plant and equipment	**3,247**	2,830
Loss on disposal of property, plant and equipment	**–**	187
Short-term lease payment	**1,298**	1,140
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**11,195**	17,056
– Share-based payment	**773**	895
– Contributions to defined contribution retirement plans	**51**	410

9. INCOME TAX

Hong Kong Profit Tax is calculated at the rate 16.5% (2021: 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% (2021: 25%).

	2022	2021
	HK$'000	*HK$'000*
Current tax- PRC		
Provision for the year	**405**	1,228

10. LOSS PER SHARE

	2022	2021
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:	**(12,205)**	(7,744)

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating loss per share	**4,122,304**	4,122,304

(a) Basic loss per share

For the year ended 31 March 2022, the calculation of basic loss per share is based on the net loss for the year of approximately HK$12,205,000 (2021: approximately HK$7,744,000) attributable to the equity holders of the Company, and weighted average of approximately 4,122,304,000 (2021: approximately 4,122,304,000) 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

	2022	2021
	HK$'000	*HK$'000*
Trade receivables:		
Distribution and service in medical equipment and consumables	**33,952**	29,430
Hospital operation and management services	**3,812**	25,169
Business service	**392**	1,718
	38,156	56,317

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.

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:

	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**797**	7,865
1 – 3 months	**14,237**	10,057
Over 3 months	**23,122**	38,395
	38,156	56,317

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

	2022	2021
	HK$'000	*HK$'000*
Within 90 days	**15,035**	3,715
91 – 180 days	**19,594**	6,330
Over 180 days	**3,527**	29,265
	38,156	39,310

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:

	2022	2021
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,880**	2,004
Reversal of allowance, net	**(137)**	(124)
Balance at end of the year	**1,743**	1,880

12. TRADE PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**21,138**	17,079

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

	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**317**	1,800
1-3 months	**1,372**	665
Over 3 months but within 1 year	**19,449**	14,614
	21,138	17,079

13. OTHER PAYABLE AND ACCRUED EXPENSES

	2022	2021
	HK$'000	*HK$'000*
Other payable *(Note i)*	**56,471**	64,296
Accruals	**24,034**	22,357
	80,505	86,653

Note:

As at 31 March 2022 and 31 March 2021, approximately US$4,000,000 (equivalent to approximately HK$30,894,000) (31 March 2021: US$4,000,000 (equivalent to approximately HK$30,894,000)) were a dividend payable on redeemable convertible cumulative preference shares which is in dispute as detailed below.

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. An originating summons (the "Originating Summons") under action number HCMP2593/2016 has been issued by the Company (as plaintiff) against Li Hong (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 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 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 executive Director and chairman of the Company) for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was a 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 million as set out in the Litigation Announcements belongs to the Company on the grounds including: (1) that the Capital Foresight Agreement executed by Mr. Li 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) 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**"). Following that announcement, acknowledgments of service and a statement of claim were filed in December 2017.

On 24 November 2017 and in connection with the Statutory Demand, the Company received a writ of summons issued by Capital Foresight Limited under action number HCA2569/2017 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 million pursuant to the Capital Foresight Agreement, or alternatively US$4 million, with interest and costs. Pursuant to a Court order dated 19 January 2018, this action HCA2569/2017 has been consolidated with the action HCA2549/2017 (the "2549 & 2569 Action").

In connection with the 2549 & 2569 Action and up to the date of this announcement, the parties have filed their respective pleadings with the Court. On 25 January 2022, leave was granted to the Company to set the case down for a Trial. The Trial will last for 15 days in June 2023 before the Honourable Mr Justice Harris, with a Pre-Trial Review Hearing fixed on 25 April 2023. The Company will keep the shareholders informed of the latest material developments by making further announcement(s) as and when appropriate.

14. SHARE CAPITAL

	Note	No of shares	Share capital
			HK$'000
Authorised:			
Ordinary shares of HK$0.1 each At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022		100,000,000,000	10,000,000
Issued and fully paid:			
At 31 March 2021 and 31 March 2022	*(i)*	**4,139,947,634**	**413,995**

Note:

(i) On 22 October 2021, a total of 250,000,000 ordinary shares were successfully issued but subject to the lock-up period provisions according to the profit guarantee indicated in the relevant agreement. therefore, such shares are considered not yet issued to the vendor until the condition of profit guarantee satisfied.

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

(1) On 9 June 2022, the Company entered into the placing agreement with the placing agent for placing of the convertible bonds in the aggregate principal amount of up to HK$82,000,000 at the initial conversion price of HK$0.10 per conversion share on a best effort basis to not less than six independent investors. The convertible bonds shall bear an interest at the rate of 6% per annum and expire on the second anniversary of the date of issue of the convertible bonds. The placing is not yet completed as at date of this announcement and the long stop date of placing has been extended to 14 July 2022.

(2) On 10 June 2022, the Company proposed to conduct a consolidation (the "Share Consolidation") of the existing ordinary shares in the capital of the Company of par value of HK$0.10 each. Subject to the Share Consolidation being effective, the Company also proposed to change the board lot size for trading of the shares from 3,000 to 6,000. The Share Consolidation and change of the board lot size are not yet completed as at date of this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

For the year ended 31 March 2022, the Group reported a revenue of approximately HK$107 million, representing an increase of 22% as compared to HK$87.9 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK$88.9 million (2021: HK$68.8 million); (b) income from hospital operation and management of approximately HK$18 million (2021: HK$18.4 million); and (c) service fee income from business factoring of approximately HK$0.1 million (2021: HK$0.7 million). For the year ended 31 March 2022, the Group reported gross profit of approximately HK$28.7 million, representing an increase of 10% as compared to HK$26 million for the previous financial year.

For the year ended 31 March 2022, there was impairment loss on loan and interest receivables of approximately HK$2.4 million (2020: reversal of HK$0.7 million). An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses ("ECL") pursuant to HKFRS 9 Financial Instruments. The probabilities of default are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 March 2022, the probability of default applied was 7.29% and the loss given default rate was estimated to be 61.7%.

The Group's loss attributable to shareholders for the year was approximately HK$12.2 million as compared to a net loss of approximately HK$7.7 million for the previous financial year. The increase in net loss was mainly attributable to decrease in loan interest income during the year. Basic loss per share for the year was HK$0.29 cents (2021: HK$0.19 cents).

REVIEW OF BUSINESS OPERATION

For the year ended 31 March 2022, the existing business segments of the Group comprise (a) medical equipment and consumables distribution and service business; (b) hospital operation and management services business; and (c) business factoring business.

(a) Medical equipment and consumables distribution and service business

During the year, the Group recorded revenue of approximately HK$88.9 million (2021: HK$68.8 million), representing an increase of 29% as compared with the previous period. The operating profit was approximately HK$8.5 million (2021: HK$2.6 million) during the year.

Benefiting from the advantages of its subdivided industries and good relationships with hospital customers and various manufacturers' brands, 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"), the principal business of the Group, took advantage of the opportunity brought by the recovery of medical market after the epidemic. It achieved a steady increase in sales after effort by the team during the year.

The Group's cardiovascular device and consumables distribution business has initially established its core competitiveness, which is to build a large-scale tertiary hospital service network with Wuhan as its center and radiate to central China. In view of the development of distribution business and the market growth potential, In May 2021, the Group further increased its shareholding in Mageruizi Wuhan, and its equity interest increased from 51% to 87.75%.

The Group has also been identifying opportunities to expand the business. In October 2021, the Group completed acquisition of 60% equity interest in 北京佑康健業醫療器械有限公司 (Beijing Youkang Jianye Medical Equipment Co., Ltd.) ("Beijing Youkang"), which is principally engaged in medical equipment and consumables distribution business in the Beijing and its surrounding areas, where the medical services is one of the highest regions with potential in the PRC, and focuses on two high-end categories, namely surgical instruments in cardiac electrophysiology and urology. Beijing Youkang has established business relationship with over 20 top-tier hospitals and medical institutions in Beijing and is also an authorised distributor of certain well-known international brands of cardiac electrophysiology and urology products, namely Johnson & Johnson, Abbott, Medtronic, Synaptic Medical and Boston Scientific. In 2021, Beijing Youkang further developed the business of distribution of new products in the area of cardiac intensive care and vascular surgery, which became the new business growth point.

In particular, Beijing Youkang entered the pet vaccine distribution market in the PRC. In March 2022, Beijing Youkang entered into the "Olmotevirumab Injection (Xunke) Promotion Service Agreement" with 華北製藥集團新藥研究開發有限責任公司 (North China Pharmaceutical Group New Drug R&D Co., Ltd.), pursuant to which Beijing Youkang has been granted the exclusive promotion service license for "Olmitevirumab Injection" in Beijing for a period commencing on the date of the agreement to 31 December 2023. These services include collection of market information, performing market analysis, conducting marketing visits and sales pitches to potential purchasers of vaccines comprising 19 target hospitals/clinics authorised in Beijing, and organising symposium and seminars and other marketing and promotional activities. The fee from the provision of services received by Beijing Youkang is determined based on, among other things, the frequency of marketing and promotional activities conducted and the volume of vaccines purchased by the target hospitals/clinics. The Group expects that the pet vaccine market has huge room for development.

(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 pursuant to the terms of the hospital management agreement (as supplemented on 31 July 2015 and 25 August 2015, the "Management Agreement") entered on 23 July 2015. The Group was entitled to a management fee equivalent to 3% of the revenue of Shuangluan Hospital pursuant to the Management Agreement. The Group ceased to receive management fee and recorded no management fee during the year (2021: HK$3.1 million) upon the signing of the Settlement Agreement (as defined below).

On 30 April 2021, the Company, two wholly-owned subsidiaries of the Company, Shuangluan Hospital and the Shuangluan Government entered into an agreement (the "Settlement Agreement") to deal with matters concerning (i) the settlement of the sum (the "Sum") in aggregate of approximately RMB87.7 million (equivalent to approximately HK$105.3 million) representing principal and interest on loan advances (the "Advances") to Shuangluan Hospital and unpaid management fees (the "Fees") calculated up to 31 December 2020; and (ii) the management right over Shuangluan Hospital. Pursuant to the Settlement Agreement,

(i) the parties acknowledged that 北京中衛康融醫院管理有限公司 (Beijing Zhong Wei Kong Rong Hospital Management Company Limited) ("Kangrong") (a wholly-owned subsidiary of the Company) has taken up the rights and obligations of the Management Company under the Management Agreement;

(ii) the Shuangluan Government and Shuangluan Hospital agreed that the Sum, net of expenses incurred by personnel appointed by the Group amounting to approximately RMB2.3 million (equivalent to approximately HK$2.81 million) which shall be borne by the Group, shall be settled in cash pursuant to schedule as stated in the Settlement Agreement. The scheduled payments shall be applied towards settlement of (a) firstly, the Fees; (b) secondly, the accrued interests on the Advances; and (c) lastly, the principal amount of the Advances;

(iii) the management right of Kangrong over Shuangluan Hospital shall cease upon the signing of the Settlement Agreement and the Group shall not be entitled to any further management fee from Shuangluan Hospital; and

(iv) the Management Agreement shall remain effective until the full settlement of the Sum, and the representative of the Group shall resign from the role as the legal representative of Shuangluan Hospital within two business day following the full settlement of the Sum, in the manner as described in (ii) above.

As at date of this announcement, approximately RMB38.7 million (approximately HK$47.8 million) has been received by the Group under the Settlement Agreement. Further details of the above has been disclosed in the announcement dated 30 April 2021.

Anping Kangrong Hospital Company Limited and Anping Bo'ai Hospital

The Group completed acquisition of 70% equity interests of 安平博愛醫院 ("Anping Bo'ai Hospital") in October 2019 and remaining 30% equity interests of Anping Bo'ai Hospital in March 2020. Anping Bo'ai Hospital has been reorganized into Anping Kangrong Hospital Company Limited and has become an indirect wholly-owned subsidiary of the Company and changed to a 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. 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 recorded revenue from hospital operation of approximately HK$18 million (2021: HK$15.4 million) and operating loss of approximately HK$2.5 million (2021: HK$2.3 million) during the year.

(c) Business factoring business

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

FUTURE PROSPECTS

The past year witnessed the ongoing global spread of the COVID-19 pandemic and profound changes in both of the international and domestic situations. Despite the above, the fundamentals of China's social and economic development maintained improvement, in particular for the huge medical and healthcare industry. As the urbanization expands and the population ages, it has maintained a diversified and sustained growth in recent years, with huge development potential. This has created favorable conditions for the Group to expand its business areas.

The Group's businesses have inevitably been adversely affected by the COVID-19 pandemic. The Group's overall operations achieved steady growth for the last year, by overcoming various difficulties with the joint efforts of all its employees. For the medical equipment distribution and service business, efforts have been made to further integrate customer resources and broaden product offerings, so as to gradually build a comprehensive platform for the distribution of medical equipment and consumables. During the year, one of the subsidiaries of the Group was authorised to participate in the marketing and promotion of rabies vaccines in Beijing. It is expected that the Group will be in a better position to acquire distribution contracts for other vaccine products such as tetanus vaccine, shingles vaccine and HPV vaccine in the future. In the future, the Group will continue to invest more resources to consolidate and develop the existing businesses as mentioned above.

Hospital operation and management remains an important business of the Group. In the future, the Group will seek opportunities and focus on the development of featured specialities to establish a self-operated hospital system. 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.

During the year, the Group participated in the investment in 湖南博創科健產業投資基金(有限合夥) Hunan Bochuang Technology and Health Industry Investment Fund (Limited Partnership) (the "Bochuang Fund"), a sub-fund of the national science and technology achievement transformation guidance fund approved by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部). It has established a close partnership with Bochuang Fund. 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. It will focus on cooperation and connection with Bochuang Fund, and select several key fields of medical devices for industrial chain integration, so that gradually building itself into a professional device supplier with research and development, manufacturing and sales capabilities. The board of directors believe that adhering to this strategy, the Group will achieve leapfrog development in the near future and create maximum value for shareholders.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

(i) Additional acquisition of Mageruizi Wuhan

On 17 March 2021, Pioneer Kingdom Limited (a wholly-owned subsidiary of the Company), the Company, Alpha Success International Limited (the "Vendor") and Mr. Ho Pei Lin (as guarantor) entered into the sale and purchase agreement in relation to acquisition of 75% of the total equity interest in Bloom King Corporation Limited ("Bloom King"), which owns 49% equity interests of Mageruizi Wuhan, and 75% of the total outstanding amounts owing by Bloom King to the Vendor at date of completion of the acquisition for an aggregate consideration of HK$14.6 million. The consideration shall be settled in cash of HK$6 million and the issue of the loan note of HK$8.6 million. The acquisition has been completed on 21 May 2021 and the Company indirectly owns a 75% equity interest in Bloom King. The effective equity interest held by the Group in Mageruizi Wuhan has been increased from 51% to 87.75% accordingly. Further details of the above were set out in the announcements of the Company dated 17 March 2021, 14 May 2021 and 21 May 2021.

(ii) Investment in the Bochuang Fund

On 5 July 2021, Zhongwei Health Industries (Shenzhen) Company Limited (a wholly-owned subsidiary of the Company, "Zhongwei Health") and 寧波易達誠資產管理有限公司 (Ningbo Yidacheng Asset Management Co., Ltd., "Ningbo Yidacheng") entered into the agreement, pursuant to which Ningbo Yidacheng agreed to transfer the partnership interest in 北京啟慧智元信息科技合伙企業(有限合伙) (Beijing Qihui Zhiyuan Information Technology Enterprise Partnership (Limited Partnership), "Beijing Qihui") to Zhongwei Health for a cash consideration of RMB1 payable by Zhongwei Health. In consideration of the Vendor transferring the partnership interest to Zhongwei Health, Zhongwei Health shall take up the obligation of Ningbo Yidacheng to contribute registered capital in the amount of RMB30 million to Beijing Qihui.

Beijing Qihui holds a 15% partnership interest (as limited partner) in the Bochuang Fund. The Bochuang Fund is a limited partnership established in the PRC on 10 July 2020 under the approval of the Ministry of Science and Technology of the PRC. The Bochuang Fund has invested in several projects engaging in medical equipment business, research and development and sale of implantable drugs for cancer treatment and development and operation of digital healthcare services platform.

Upon capital contribution of RMB30 million by Zhongwei Health to Beijing Qihui, Zhongwei Health will be interested in 16.6% partnership interest in Beijing Qihui. Zhongwei Health's percentage interest in the Beijing Qihui's profit or loss shall be diluted to 4.44% if Ningbo Yidacheng pays up in full its share of outstanding registered capital of Beijing Qihui (or any other partners make additional capital contribution to Beijing Qihui).

As at date of this announcement, capital of RMB15 million (approximately HK$18.5 million) has been paid by Zhongwei Health. Further details of the above has been disclosed in the announcements dated 5 July 2021 and 26 July 2021. Both parties agreed that the remaining capital of RMB15 million (approximately HK$18.5) million) will be paid by Zhongwei Health on or before 31 December 2022.

(iii) Acquisition of Beijing Youkang

On 31 August 2021, the Company, Zhongwei International Finance Lease (Shenzhen) Co., Ltd. (a wholly-owned subsidiary of the Company, "Zhongwei International"), Mr. Yang Huijun ("Mr. Yang"), Mr. Sun Chunlei ("Mr. Sun"), Best Robust Ventures Limited (a company wholly-owned by Mr. Yang and Mr. Sun, "Best Robust") and Beijing Youkang entered into an agreement (as supplemented on 8 October 2021) (the "Agreement") for capital injection to Beijing Youkang in the amount of RMB1,800,000 (equivalent to approximately HK$2,160,000) by Zhongwei International and RMB1,200,000 (equivalent to approximately HK$1,440,000) by Mr. Yang and Mr. Sun (collectively "the Existing Owners"). The Company shall also pay the consideration to Best Robust which shall be satisfied by the Company's allotting and issuing 250,000,000 shares of the Company to Best Robust at the issue price of HK$0.10 each. Following completion of the above capital injection, Zhongwei International and the Existing Owners will be interested in 60% and 40% of the equity interest in Beijing Youkang respectively.

Pursuant to the Agreement, the Existing Owners guarantee and undertake to Zhongwei International that:

(i) the audited net profit after tax of Beijing Youkang for the year ending 31 March 2022 ("FY2022") shall be not less than RMB3,000,000 (equivalent to approximately HK$3,600,000) (the "2022 Guaranteed Profit");

(ii) the audited net profit after tax of Beijing Youkang for the year ending 31 March 2023 ("FY2023") shall be not less than RMB6,000,000 (equivalent to approximately HK$7,200,000) (the "2023 Guaranteed Profit", together with the 2022 Guaranteed Profit, the "Profit Guarantee");

(iii) the net assets of Beijing Youkang as at the completion date of acquisition (the "Completion NAV") shall not be lower than that as at 31 July 2021 (the "31/7 NAV") as shown in the management accounts of Beijing Youkang for the seven months ended 31 July 2021; and

(iv) on or before 30 September 2022, Beijing Youkang shall be able to collect: (a) all the trade receivables relating to the sales of medical devices/equipment as at the Completion Date (the "Trade Receivables"), other than those retention monies which normally represent 10% of the sales value and shall be collected according to the terms of the sale contracts with customers; and (b) the entire amount of receivables other than the Trade Receivables as at the Completion Date (together with (a) above, the "Account Receivables").

In the event that any of the above guarantees and undertakings (including the Profit Guarantee) is not met, the Existing Owners shall jointly and severally compensate Zhongwei International the amount in cash on a dollar-for-dollar basis (the "Compensation").

Best Robust will deposit 250,000,000 shares with the Company for securing the Existing Owners' obligations to pay the Compensation to Zhongwei International. If the 2022 Guaranteed Profit is fulfilled, the Company will release 178,000,000 shares (the "1st batch Consideration Shares") to Best Robust. If there is any shortfall, the Company will withhold such number of shares from the 1st batch Consideration Shares which represents the value (based on HK$0.10 per share) equivalent to the amount of the Shortage. If both the 2022 Guaranteed Profit and the 2023 Guaranteed Profit are met, the Company will release the remaining 72,000,000 shares (the "2nd batch Consideration Shares") to Best Robust. If the Existing Owners do not pay the Compensation in cash to Zhongwei International for the shortfall in 2022 and/or 2023, the Company may at its option dispose of the 1st batch Consideration Shares and the 2nd batch Consideration Shares.

The acquisition has been completed on 22 October 2021 and the Company indirectly owns 60% equity interest in Beijing Youkang. Further details of the above were set out in the announcements of the Company dated 31 August 2021, 8 October 2021 and 22 October 2021.

Save as the above, there were no other material acquisitions and disposals during the year.

SIGNIFICANT INVESTMENT

The Group had no significant investment of carrying value of 5% or more of the total assets as at 31 March 2022 (2021: nil).

FUND RAISING ACTIVITY

There was no other fund raising activity during the year. There was no unutilised proceed brought forward from any issue of equity securities made in previous years.

On 9 June 2022, the Company entered into the placing agreement with the placing agent for placing of the convertible bonds in the aggregate principal amount of up to HK$82,000,000 at the initial conversion price of HK$0.10 per conversion share on a best effort basis to not less than six independent investors. The convertible bonds shall bear an interest at the rate of 6% per annum and expire on the second anniversary of the date of issue of the convertible bonds. The placing of convertible bonds has not been completed as at the date of this announcement and the long stop date of the placing has been extended to 14 July 2022. Further details of the placing were disclosed in the announcements of the Company dated 9 June 2022, 16 June 2022 and 30 June 2022.

On 10 June 2022, the Company proposed to conduct a consolidation (the "Share Consolidation") of the existing ordinary shares in the capital of the Company of par value of HK$0.10 each. Subject to the Share Consolidation being effective, the Company also proposed to change the board lot size for trading of the shares from 3,000 to 6,000. The Share Consolidation and change of the board lot size are not yet completed as at date of this announcement. Details of the above were disclosed in the announcements of the Company dated 10 June 2022 and 16 June 2022. Further announcement(s) in relation to the Share Consolidation and change of the board lot size will be made as and when appropriate.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow during the Period. As at 31 March 2022, the Group's cash and cash equivalents amounted to approximately HK$8.5 million (2021: HK$4.6 million).

As at 31 March 2022, the current assets and net current assets of the Group are approximately HK$137.7 million (2021: HK$164.5 million) and HK$0.8 million (2021: HK$47.4 million) respectively, representing a current ratio of 1.0 (2021: 1.4).

As at 31 March 2022, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4 million (2021: US$4 million) (equivalent to approximately HK$30.9 million), which is in dispute as disclosed in note 13 of this results announcement, was included in other payables and accrued expenses. As at 31 March 2022, the Group has certain bank loans, which were denominated in Renminbi, amounting to RMB6.5 million (2021: RMB3 million) (approximately HK$8.1 million) (2021: HK$3.6 million). The loans carried interest ranging from loan prime rate (LPR) plus 0.1% to 0.25% and repayable within one year. As at 31 March 2022, the Group had an other borrowing of HK$9.5 million (2021: nil), which was denominated in Hong Kong dollars, interest bearing at 6% per annum and repayable on 30 September 2022.

As at 31 March 2022, the gearing ratio was 0.61 (2021: 0.33), calculated by dividing dividend payable on redeemable convertible cumulative preference shares and bank and other borrowings (representing debts owed by the Company) by shareholders' equity of approximately HK$79.6 million (2021: HK$95.0 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

Details of material litigations were disclosed in note 13 of this results announcement.

CONTINGENT LIABILITIES

As at 31 March 2022, there were no material contingent liabilities of the Group (2021: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2022, there were no charge on the Group's assets (2021: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed 122 employees (2021: 116). The total staff cost including Directors' emoluments and share based payment of approximately HK$0.8 million (2021: HK$0.9 million) was approximately HK$12 million as compared to approximately HK$18.4 million for the previous year. 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. No share options were granted and 22,500,000 share options were lapsed during the year. There were 243,400,000 outstanding share options as at 31 March 2022.

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, none of the non-executive Directors is 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.

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.

REVIEW OF ANNUAL RESULTS

The Group's Audit Committee, which comprises of three independent non-executive Directors, namely Mr. Lai Liangquan, Mr. Jiang Xuejun and Mr. Du Yanhua, 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 2022.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's results for the year ended 31 March 2022 as set out in the 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 results announcement.

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

Hong Kong, 30 June 2022

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