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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 2023

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 2023 together with the comparative figures for the corresponding year ended 31 March 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 March	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	76,414	107,025
Cost of good sold/service rendered		(49,222)	(78,336)
Gross profit		27,192	28,689
Other income	6	1,041	732
Other (loss)/gain, net	6	(21,407)	2,452
Share-based payment	8	(23)	(773)
Selling and distribution expenses		(11,726)	(11,120)
Administrative expenses		(28,267)	(28,396)
Finance costs	7	(2,193)	(293)
Share of loss of an associate		(4,000)	–

		For the year ended 31 March	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
LOSS BEFORE TAX	8	(39,383)	(8,709)
Income tax	9	<u>(177)</u>	<u>(405)</u>
LOSS FOR THE YEAR		<u>(39,560)</u>	<u>(9,114)</u>
Loss for the year attributable to:			
Owners of the Company		(42,046)	(12,205)
Non-controlling interests		<u>2,486</u>	<u>3,091</u>
		<u>(39,560)</u>	<u>(9,114)</u>
			(Restated)
LOSS PER SHARE	<i>10</i>		
Basic		<u>(HK9.86 cents)</u>	<u>(HK2.96 cents)</u>
Diluted		<u>(HK9.86 cents)</u>	<u>(HK2.96 cents)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE YEAR	(39,560)	(9,114)
Other comprehensive (expense)/income		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(11,827)</u>	<u>6,725</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(51,387)</u>	<u>(2,389)</u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(53,451)	(5,572)
Non-controlling interests	<u>2,064</u>	<u>3,183</u>
	<u>(51,387)</u>	<u>(2,389)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		21,300	25,356
Right-of-use assets		2,738	3,398
Goodwill		37,880	40,970
Prepayment		17,132	18,530
Investment in an associate		–	–
		79,050	88,254
CURRENT ASSETS			
Inventories		11,666	13,434
Trade receivables	<i>11</i>	30,751	38,156
Prepayments, deposits and other receivables		29,020	17,714
Loan and interest receivables		59,218	59,862
Cash and bank balances		11,480	8,537
		142,135	137,703
CURRENT LIABILITIES			
Trade payables	<i>12</i>	24,117	21,138
Other payables and accrued expenses	<i>13</i>	74,886	80,505
Amount due to a director		7,020	5,100
Contract liabilities		5,468	1,396
Lease liabilities		353	850
Contingent consideration		8,061	6,375
Bank and other borrowings		5,684	17,617
Tax payable		1,646	3,914
		127,235	136,895

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
NET CURRENT ASSETS		<u>14,900</u>	<u>808</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>93,950</u>	<u>89,062</u>
NON-CURRENT LIABILITY			
Contingent consideration		<u>–</u>	<u>3,930</u>
		<u>–</u>	<u>3,930</u>
NET ASSETS		<u>93,950</u>	<u>85,132</u>
EQUITY			
Share capital	<i>14</i>	471,795	413,995
Reserves		<u>(385,463)</u>	<u>(334,417)</u>
Equity attributable to owners of the Company		86,332	79,578
Non-controlling interests		<u>7,618</u>	<u>5,554</u>
TOTAL EQUITY		<u>93,950</u>	<u>85,132</u>

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 directors of the Company regard Treasure Wagon Limited, a private limited liability company incorporated in Samoa, as the immediate and ultimate holding company of the Company. Its ultimate controlling party is Mr. Zhang Fan who is chairman of the Board and executive Director of the Company.

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, provision of 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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

4. OPERATING SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the executive directors being the chief operating decision maker (“CODM”), 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 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 2023 and 2022:

For the year ended 31 March 2023	Distribution and service in medical equipment and consumables <i>HK\$'000</i>	Hospital operation and management services <i>HK\$'000</i>	Business service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue from external customers	<u>54,238</u>	<u>21,215</u>	<u>961</u>	<u>76,414</u>
Segment results	5,424	(455)	(3,991)	978
Reconciliation:				
Interest income and unallocated income				1,930
Corporate and other unallocated expenses				<u>(42,291)</u>
Loss before tax				<u>(39,383)</u>
Depreciation	338	2,990	248	3,576
Reconciliation:				
Unallocated depreciation				<u>575</u>
				<u>4,151</u>

For the year ended 31 March 2022	Distribution and service in medical equipment and consumables <i>HK\$'000</i>	Hospital operation and management services <i>HK\$'000</i>	Business service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue from external customers	<u>88,912</u>	<u>17,958</u>	<u>155</u>	<u>107,025</u>
Segment results	8,555	(2,539)	(83)	5,933
Reconciliation:				
Interest income and unallocated income				5,483
Corporate and other unallocated expenses				<u>(20,125)</u>
Loss before tax				<u>(8,709)</u>
Depreciation	278	3,022	6	3,306
Reconciliation:				
Unallocated depreciation				<u>725</u>
				<u>4,031</u>

The following table is an analysis of the Group's assets and liabilities and other segment information as at 31 March 2023 and 2022:

For the year ended 31 March 2023

	Distribution and service in medical equipment and consumables <i>HK\$'000</i>	Hospital operation and management services <i>HK\$'000</i>	Business service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	46,195	16,859	79,666	142,720
Corporate and other unallocated assets				<u>78,465</u>
Total assets				<u><u>221,185</u></u>
Segment liabilities	24,082	21,508	1,181	46,771
Corporate and other unallocated liabilities				<u>80,464</u>
Total liabilities				<u><u>127,235</u></u>

For the year ended 31 March 2022

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

Geographical information

For the years ended 31 March 2023 and 2022, 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 years ended 31 March 2023 and 2022, the Group had transactions with nil customer (2022: nil) who contributed over 10% of the Group's total revenue.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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*	54,238	88,912
Income from provision of hospital operation and management services*	21,215	17,958
Service fee income*	961	155
	<u>76,414</u>	<u>107,025</u>

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its customer contracts relating distribution and service in medical equipment and consumables such that the Group had not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(i) Other income:		
Loan interest income	439	327
Interest income	–	6
Government grants and subsidies (<i>Note (a)</i>)	461	–
Sundry income	141	399
	<u>1,041</u>	<u>732</u>
(ii) Other (loss)/gain, net:		
Charge in fair value of contingent consideration (<i>Note (b)</i>)	(17,692)	4,751
Provisions of impairment loss on loan and interest receivables	(4,039)	(2,400)
Reversal of impairment loss on trade receivables	889	137
Recognised of impairment loss on other receivables	(336)	(36)
Loss on disposal of property, plant and equipment	(229)	–
	<u>(21,407)</u>	<u>2,452</u>

Notes:

- (a) During the year ended 31 March 2023, the Group recognised government grants of HK\$461,000 by People's Republic China government.
- (b) During the year, the Group recognised the loss on fair value change of contingent consideration of HK\$17,692,000 (2022: gain of HK\$4,751,000) arising from issue of consideration shares in respect of acquisition of a subsidiary of the Company for the year ended 31 March 2022.

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	32	140
Interest on bank and other borrowings	449	153
Interest on convertible bonds	1,712	–
	<u>2,193</u>	<u>293</u>

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	880	870
Depreciation of right-of-use assets	1,038	784
Depreciation of property, plant and equipment	3,114	3,247
Short-term lease payments	919	1,298
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	10,129	11,195
– Share-based payments	23	773
– Contributions to defined contribution retirement plans	51	51

9. INCOME TAX

Under the two-tiered profits tax rates regime of Hong Kong Profit tax, the first HK\$2 million of assessable profits of qualifying group entities will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2022: 16.5%). Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK\$2 million.

Hong Kong Profits Tax is calculated at the rate 16.5% (2022: 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 profits arising from Hong Kong for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – PRC		
Provision for the year	177	405

10. LOSS PER SHARE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss attributable to owners of the Company, used in the basis loss per share calculation:	<u>(42,046)</u>	<u>(12,205)</u>
	2023 '000	2022 '000 (Restated)
Weighted average number of ordinary shares for the purpose of calculating loss per share	<u>426,574</u>	<u>412,230</u>

(a) Basic loss per share

For the year ended 31 March 2023, the calculation of basic loss per share is based on the net loss for the year of approximately HK\$42,046,000 (2022: approximately HK\$12,205,000) attributable to the equity holders of the Company, and weighted average of approximately 426,574,500 (2022 (Restated): approximately 412,230,400) ordinary shares in issue during the year.

On 8 August 2022, the consolidation of every 10 ordinary shares of the Company of HK\$0.1 each into one consolidated share of HK\$1.0 each. For the year ended 31 March 2022, the weighted average number of ordinary shares has been adjusted for the effect of the share consolidation.

(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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Distribution and service in medical equipment and consumables	25,932	34,826
Hospital operation and management services	4,678	5,029
Business service	<u>961</u>	<u>44</u>
	31,571	39,899
Less: Allowance for credit loss	<u>(820)</u>	<u>(1,743)</u>
	<u>30,751</u>	<u>38,156</u>

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 180 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	13,807	797
91 – 180 days	3,158	14,237
Over 180 days	13,786	23,122
	30,751	38,156

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	16,966	15,035
91 – 180 days	9,764	19,594
Over 180 days	4,021	3,527
	30,751	38,156

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	1,743	1,880
Reversal of allowance, net	(889)	(137)
Exchange realignment	(34)	–
Balance at end of the year	820	1,743

12. TRADE PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<u>24,117</u>	<u>21,138</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	1,288	317
1-3 months	1,560	1,372
Over 3 months but within 1 year	<u>21,269</u>	<u>19,449</u>
	<u>24,117</u>	<u>21,138</u>

13. OTHER PAYABLES AND ACCRUED EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other payables (<i>Note 1 and 2</i>)	52,272	56,471
Accrual expense	<u>22,614</u>	<u>24,034</u>
	<u>74,886</u>	<u>80,505</u>

Note:

- 1) As at 31 March 2023 and 31 March 2022, approximately US\$4,000,000 (equivalent to approximately HK\$31,399,000) (31 March 2022: 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 statement of financial position. 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 commenced on 5 June 2023 before the Honourable Mr. Justice Harris and was completed on 29 June 2023. The Judgment for the 2549 & 2569 Action will be handed down by the Judge by 27 December 2023. The Company will keep the shareholders informed of the latest material developments by making further announcement(s) as and when appropriate.

- 2) As at 31 March 2023, the balance of amount due to minority shareholder of a subsidiary approximately HK\$4,912,000 was included in the other payables. The balance is unsecured, interest free and repayable on demand.

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 April 2021, 31 March 2022 and 1 April 2022	100,000,000,000	10,000,000
Effects of share consolidation (<i>Note (b)</i>)	<u>(90,000,000,000)</u>	<u>–</u>
Ordinary shares of HK\$1 each		
At 31 March 2023	<u>10,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each		
At 1 April 2021, 31 March 2022 and 1 April 2022	4,139,947,634	413,995
Consideration issue (<i>Note (a)</i>)	178,000,000	17,800
Effects of share consolidation (<i>Note (b)</i>)	(3,886,152,871)	–
Shares issued under conversion of convertible bonds (<i>Note (c)</i>)	<u>40,000,000</u>	<u>40,000</u>
At 31 March 2023	<u>471,794,763</u>	<u>471,795</u>

Notes:

- (a) (a) 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 regarding the subsidiary acquisition of the Group. Therefore, such shares are considered not yet issued to the vendor until the condition of profit guarantee satisfied.

On 22 August 2022, the profit guarantee of the related subsidiary for the year ended 31 March 2022 has been met and a total of 178,000,000 ordinary shares were issued according to the relevant agreement regarding the acquisition of the subsidiary.

- (b) On 4 July 2022, the Company made a proposal of share consolidation to the shareholders that: every ten issued shares of HK\$0.1 each to be consolidated into one consolidated share of HK\$1.00 each. The share consolidation has become effective on 8 August 2022.
- (c) On 16 March 2023, convertible bonds with an aggregate principal amount of HK\$40,000,000 were converted into 40,000,000 ordinary shares of the Company at a conversion price of HK\$1.00 each.

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 2 December 2022, the Company and 武漢明誠旺達醫藥有限公司 (Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd., “Wuhan Mingcheng Wangda”) have entered into a cooperation framework agreement, pursuant to which the Company and Wuhan Mingcheng Wangda intend to have close cooperation in various ways for distributing medical one health products. Wuhan Mingcheng Wangda’s business scope covers western medicine, traditional Chinese medicine, healthcare products, medical devices, medical equipment, medical testing, consumer health products, animal healthcare, raw materials for characteristic traditional Chinese medicine and health technology, and provision of integrated services such as procurement, marketing, logistics, distribution, Internet and entity expansion.

On 6 February 2023, the Company, Long Heng Investments Limited (a direct and wholly-owned subsidiary of the Company as the purchaser), three vendors, namely Double Bliss Investments Limited, Mr. Zhou Wang and Alpha Success International Limited and two vendor guarantors entered into the sales and purchase agreement (the “Agreement”) for acquisition of 51% equity interest in Golden Alliance Limited, which is principally engaged in distribution and marketing of pharmaceutical products in the PRC through its indirectly wholly owned subsidiary (i.e. Wuhan Mingcheng Wangda), at the consideration of HK\$153,000,000, which shall be satisfied by (i) the issue of the promissory notes in the aggregate amount of HK\$47,125,000 on the date of completion of acquisition; and (ii) the allotment and issue of up to 87,500,000 shares at the issue price of HK\$1.21 per share after the issue of audited financial statements of the target group for the year ending 31 March 2024 and 2025 pursuant to the Hong Kong Financial Reporting Standards (HKFRS) subject to the profit guarantee adjustments stated in the Agreement. The acquisition was completed on 16 June 2023.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

For the year ended 31 March 2023, the Group reported revenue of approximately HK\$76.4 million, representing a decrease of 29% as compared to HK\$107 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK\$54.2 million (2022: HK\$88.9 million); (b) income from hospital operation and management of approximately HK\$21.2 million (2022: HK\$18 million); and (c) service fee income from business factoring of approximately HK\$1 million (2022: HK\$0.1 million). For the year ended 31 March 2023, the Group reported gross profit of approximately HK\$27.2 million, representing a decrease of 5% as compared to HK\$28.7 million for the previous year.

For the year ended 31 March 2023, there was impairment loss on loan and interest receivables of approximately HK\$4 million (2022: HK\$2.4 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 2023, the probability of default applied was 20.1% (2022: 7.29%) and the loss given default rate was estimated to be 61.53% (2022: 61.7%).

The Group’s loss attributable to shareholders for the year was approximately HK\$42 million as compared to a net loss of approximately HK\$12.2 million for the previous year. The increase in net loss was mainly attributable to the loss on fair value change of contingent consideration of approximately HK\$17.7 million (2022: gain of approximately HK\$4.8 million) arising from issue of consideration shares in respect of acquisition of a subsidiary of the Company during the year. Basic loss per share for the year was HK\$9.86 cents (2022: HK\$2.96 cents).

REVIEW OF BUSINESS OPERATION

For the year ended 31 March 2023, 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 service.

(a) Medical equipment and consumables distribution and service business

During the year, the Group recorded revenue of approximately HK\$54.2 million (2022: HK\$88.9 million), representing a decrease of 39% as compared with the previous year. The operating profit was approximately HK\$5.4 million (2022: HK\$8.5 million) during the year.

The Group operated the medical equipment and consumables distribution and service business through its subsidiaries, namely 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”) based in Wuhan, the PRC and 北京佑康健業醫療器械有限公司 (Beijing Youkang Jianye Medical Equipment Co., Ltd.) (“Beijing Youkang”) based in Beijing, the PRC. As a result of the COVID-19 epidemic spreading and the tightening of control policies in the PRC in the first half of the year, the Group’s medical equipment and consumables distribution business was significantly affected, a significant decline was recorded in the revenue of Mageruizi Wuhan thus incurring operating loss, while the revenue growth of Beijing Youkang slowed down. In the second half of the year, the Group has further strengthened its existing business, optimized its product mix, developed new customers and new products, and seek positioning of new business growth. In particular, Beijing Youkang has already won several successful bidding projects and strengthened marketing services for pet vaccines, so as to ensure that its annual operations stop falling and stabilise.

(b) Hospital operation and management services business

Anping Kangrong Hospital Company Limited and Anping Bo’ai Hospital

安平博愛醫院 (“Anping Bo’ai Hospital”) was 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\$21.2 million (2022: HK\$18 million) and operating loss of approximately HK\$0.5 million (2022: HK\$2.5 million) during the year.

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. 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.

Further details of the above has been disclosed in the announcement dated 30 April 2021. As at date of this announcement, approximately RMB38.7 million (approximately HK\$44.2 million) has been received by the Group under the Settlement Agreement.

(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 that the PRC and Hong Kong had finally emerged from the COVID-19 pandemic. The three-year pandemic has brought profound changes to the social and economic development of the PRC and Hong Kong. Entering the post-pandemic era, all walks of life have begun to recover and return to normal. The medical and healthcare industry in the PRC remains the leader in all industries. As the urbanization expands and the population ages, the medical and healthcare industry will maintain a diversified and sustained growth, with huge development potential. This has created favorable conditions for the Group to expand new business areas.

In retrospect of the past few years, in particular the current year, the Group's businesses have been adversely affected by the COVID-19 pandemic. The Group's overall operations stopped falling and stabilised, by overcoming various difficulties with the joint efforts of all its employees. For the medical equipment and consumables distribution and service business, efforts have been made to further integrate customer resources and broaden product offerings. During the year, one of the subsidiaries of the Group was authorised to participate in the marketing and promotion of rabies vaccines in Beijing, with smooth progress of relevant business. Meanwhile, in response to changes in the market, the Group has adjusted its development strategy in a timely manner, and actively sought new development opportunities. The Group has successfully completed the acquisition of 武漢明誠旺達醫藥有限公司 (Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd., "Wuhan Mingcheng Wangda"), which is principally engaged in distribution and marketing of pharmaceutical products in the PRC, in June 2023. Through the acquisition, the Group not only secured the exclusive distribution agency rights to a series of ophthalmic products in mainland China, but more importantly, gained a comprehensive medicine distribution platform targeting chain drugstores across the country, as well as a marketing team with extensive market experience. This is a major expansion achieved by the Group on the basis of the existing medical equipment and consumables distribution and service business, marking a milestone.

In coming years, the Group will devote its resources to conduct integration in three aspects through Wuhan Mingcheng Wangda: first, further expansion of distribution channels in East China, South China and North China, to build a distribution platform targeting chain pharmacies across the country; second, further development of new distribution products by selecting superior products from medicines, health products and healthcare products, to rapidly improve the coverage rate and market share of products, thus forming the key distribution products of the Group; and third, selection of products with established conditions for the merger and acquisitions and integration of upstream production and research and development (R&D), to form the own products of the Group, thus achieving the integration of R&D, production and distribution. The board of directors believes that through years of efforts and accumulation, the Group has gradually established a platform operating model that is market-oriented, distribution-led, and supported by production and research. By giving full play to the advantages of such model, the Group will be able to achieve leapfrog development in the near future and create maximum value for shareholders.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

(i) 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夥企業(有限合夥) (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 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”). 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\$17.1 million) has been paid by Zhongwei Health. Further details of the above has been disclosed in the announcements of the Company dated 5 July 2021 and 26 July 2021.

(ii) Investment in Trillion Silver Limited

On 8 September 2022, Long Heng Investments Limited, a wholly owned subsidiary of the Company, has entered into the subscription agreement in respect of (i) subscription of 2,000 shares in Trillion Silver Limited, which is principally engaged in the investment in the research, development, and manufacture of healthcare products, including rapid test kits for monkeypox virus, for a consideration of HK\$4 million, and (ii) the provision of a loan of HK\$2 million which bears interest of 6% per annum and will expire one year from the drawdown date. Upon completion of the subscription, the Group will hold 20% of the enlarged issued share capital of Trillion Silver Limited. The subscription has been completed in September 2022.

(iii) Acquisition of 51% equity interest in Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd.

On 2 December 2022, the Company and Wuhan Mingcheng Wangda have entered into a cooperation framework agreement, pursuant to which the Company and Wuhan Mingcheng Wangda intend to have close cooperation in various ways for distributing medical one health products. Wuhan Mingcheng Wangda's business scope covers western medicine, traditional Chinese medicine, healthcare products, medical devices, medical equipment, medical testing, consumer health products, animal healthcare, raw materials for characteristic traditional Chinese medicine and health technology, and provision of integrated services such as procurement, marketing, logistics, distribution, Internet and entity expansion. Further details of the above has been disclosed in the announcement of the Company dated 2 December 2022.

On 6 February 2023, the Company, Long Heng Investments Limited (a direct and wholly-owned subsidiary of the Company as the purchaser), three vendors, namely Double Bliss Investments Limited, Mr. Zhou Wang and Alpha Success International Limited and two vendor guarantors entered into the sales and purchase agreement (the "Agreement") for acquisition of 51% equity interest in Golden Alliance Limited, which is principally engaged in distribution and marketing of pharmaceutical products in the PRC through its indirectly wholly owned subsidiary (i.e. Wuhan Mingcheng Wangda), at the consideration of HK\$153,000,000, which shall be satisfied by (i) the issue of the promissory notes in the aggregate amount of HK\$47,125,000 on the date of completion of acquisition; and (ii) the allotment and issue of up to 87,500,000 shares at the issue price of HK\$1.21 per share after

the issue of audited financial statements of the target group for the year ending 31 March 2024 and 2025 pursuant to the Hong Kong Financial Reporting Standards (HKFRS) subject to the profit guarantee adjustments stated in the Agreement. The acquisition was completed on 16 June 2023. Further details of the above has been disclosed in the announcements of the Company dated 6 February 2023, 26 April 2023, 31 May 2023 and 16 June 2023.

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 2023 (2022: nil).

SHARE CONSOLIDATION

On 10 June 2022, the Company proposed to conduct a consolidation (the “Share Consolidation”) of every ten (10) issued and unissued existing shares into one (1) consolidated share. 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 board lot size have become effective on 8 August 2022. Details of the above were disclosed in the announcements of the Company dated 10 June 2022, 16 June 2022, 4 August 2022 and 5 August 2022 and the circular of the Company dated 4 July 2022.

FUND RAISING ACTIVITY

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. 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 been completed on 5 August 2022 and the convertible bonds with an aggregate principal amount of HK\$40,000,000, which can be converted into 400,000,000 conversion shares at the initial conversion price of HK\$0.10, have been successfully placed to not less than six places.

Upon the Share Consolidation becomes effective on 8 August 2022, the conversion price adjusted from HK\$0.10 to HK\$1.00, and the number of conversion shares has been adjusted from 400,000,000 to 40,000,000 consolidated shares. The convertible bonds have been fully converted and 40,000,000 consolidated shares were allotted and issued upon conversion of the convertible bonds on 16 March 2023.

The gross proceeds and the net proceeds of the placing were HK\$40,000,000 and approximately HK\$38,800,000 respectively. The expected timeline for utilization of the net proceeds are as follows: (i) HK\$13,800,000 as the general working capital of the Company to be utilised by 30 June 2023; and (ii) HK\$25,000,000 as reserve for possible business development and investment of the Group to be utilised by 30 June 2023. Further details of the placing were disclosed in the announcements of the Company dated 9 June 2022, 16 June 2022, 30 June 2022, 14 July 2022, 26 July 2022 and 5 August 2022. As at the date of this announcement, approximately HK\$13.8 million has been used as general working capital of the Company and HK\$16.5 million has been used as business development and investment of the Group. Net proceeds of approximately HK\$8.5 million were not yet utilised.

Save as disclosed above, there was no unutilised proceeds brought forward from any issue of equity securities made in previous years.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow and placing of convertible bonds as mentioned above during the year. As at 31 March 2023, the Group's cash and cash equivalents amounted to approximately HK\$11.5 million (2022: HK\$8.5 million). As at 31 March 2023, the current assets and net current assets of the Group are approximately HK\$142.1 million (2022: HK\$137.7 million) and HK\$14.9 million (2022: HK\$0.8 million) respectively, representing a current ratio of 1.12 (2022: 1.0).

As at 31 March 2023, a dividend payable on redeemable convertible cumulative preference shares in the sum of US\$4 million (equivalent to approximately HK\$31.4 million) (2022: US\$4 million) (equivalent to approximately HK\$30.9 million), which is in dispute as disclosed in note 13 of these financial statements, was included in other payables and accrued expenses.

As at 31 March 2023, the Group has certain bank loans, which were denominated in Renminbi, amounting to approximately RMB5 million (2022: RMB6.5 million) (approximately HK\$5.7 million) (2022: HK\$8.1 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, which was denominated in Hong Kong dollars, interest bearing at 6% per annum and repayable on 30 September 2022. The loan has been fully repaid during the year. There was no other borrowing as at 31 March 2023.

As at 31 March 2023, the gearing ratio was 0.43 (2022: 0.61), calculated by dividing dividend payable on redeemable convertible cumulative preference shares of approximately HK\$31.4 million (2022: HK\$30.9 million) and bank and other borrowings of approximately HK\$5.7 million (2022: HK\$17.6 million) (representing debts owed by the Company) by shareholders' equity of approximately HK\$86.3 million (2022: HK\$79.6 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 these financial statements.

CONTINGENT LIABILITIES

As at 31 March 2023, there were no material contingent liabilities of the Group (2022: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2023, there were no charge on the Group's assets (2022: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed 137 employees (2022: 122). The total staff cost including Directors' emoluments and share based payment of approximately HK\$0.02 million (2022: HK\$0.8 million) was approximately HK\$10.2 million as compared to approximately HK\$11.2 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. No share options were granted during the year. 41,650,000 share options were lapsed and 182,700,000 share options were cancelled upon the Share Consolidation becoming effective during the year. There were 19,050,000 outstanding share options as at 31 March 2023.

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 deviation:

Under paragraph C.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.

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 2023.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's results for the year ended 31 March 2023 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 2023

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.