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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 2024**

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 2024 together with the comparative figures for the corresponding year ended 31 March 2023 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>For the year ended 31 March</b>	
		<b>2024</b>	<b>2023</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	<b>59,930</b>	76,414
Cost of sales		<b>(46,292)</b>	(49,222)
Gross profit		<b>13,638</b>	27,192
Other income	6	<b>39,085</b>	1,041
Other loss, net	6	<b>(43,606)</b>	(21,407)
Share-based payment expense		–	(23)
Selling and distribution expenses		<b>(17,768)</b>	(11,726)
Administrative expenses		<b>(33,316)</b>	(28,267)
Finance costs	7	<b>(327)</b>	(2,193)
Share of loss of an associate		–	(4,000)

		For the year ended 31 March	
		2024	2023
	Notes	HK\$'000	HK\$'000
<b>LOSS BEFORE TAX</b>	8	(42,294)	(39,383)
Income tax expense	9	(203)	(177)
<b>LOSS FOR THE YEAR</b>		<u>(42,497)</u>	<u>(39,560)</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(40,187)	(42,046)
Non-controlling interests		(2,310)	2,486
		<u>(42,497)</u>	<u>(39,560)</u>
<b>LOSS PER SHARE</b>	10		
Basic and diluted (cents)		<u>(8.45)</u>	<u>(9.86)</u>

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>For the year ended 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>LOSS FOR THE YEAR</b>	<b><u>(42,497)</u></b>	<b><u>(39,560)</u></b>
Other comprehensive expense		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b><u>(628)</u></b>	<b><u>(11,827)</u></b>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<b><u><u>(43,125)</u></u></b>	<b><u><u>(51,387)</u></u></b>
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	<b>(43,223)</b>	<b>(53,451)</b>
Non-controlling interests	<b><u>98</u></b>	<b><u>2,064</u></b>
	<b><u><u>(43,125)</u></u></b>	<b><u><u>(51,387)</u></u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		18,238	21,300
Right-of-use assets		1,865	2,738
Intangible assets		1,073	–
Goodwill		25,633	37,880
Prepayment		16,524	17,132
Investment in an associate		–	–
		<u>63,333</u>	<u>79,050</u>
<b>CURRENT ASSETS</b>			
Inventories		18,595	11,666
Trade receivables	11	30,043	30,751
Prepayments, deposits and other receivables		30,089	29,020
Loan and interest receivables		46,243	59,218
Cash and bank balances		4,013	11,480
		<u>128,983</u>	<u>142,135</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	31,546	24,117
Other payables and accrued expenses	13	62,434	74,886
Amount due to a director		6,875	7,020
Contract liabilities		5,111	5,468
Lease liabilities		147	353
Contingent consideration		–	8,061
Bank borrowings		5,508	5,684
Tax payables		486	1,646
		<u>112,107</u>	<u>127,235</u>

		2024	2023
	Notes	HK\$'000	HK\$'000
<b>NET CURRENT ASSETS</b>		<u>16,876</u>	<u>14,900</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>80,209</u>	<u>93,950</u>
<b>NON-CURRENT LIABILITIES</b>			
Contingent consideration		20,325	–
Deferred tax liabilities		<u>131</u>	<u>–</u>
		<u>20,456</u>	<u>–</u>
<b>NET ASSETS</b>		<u><u>59,753</u></u>	<u><u>93,950</u></u>
<b>EQUITY</b>			
Share capital	14	47,899	471,795
Reserves		<u>4,138</u>	<u>(385,463)</u>
Equity attributable to owners of the Company		52,037	86,332
Non-controlling interests		<u>7,716</u>	<u>7,618</u>
<b>TOTAL EQUITY</b>		<u><u>59,753</u></u>	<u><u>93,950</u></u>

*Notes:*

## **1. GENERAL INFORMATION**

The Company is a limited liability company incorporated in Bermuda and its shares are listed on 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, business service and research and development and sale of functional foods 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”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments which is stated at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

## **Basis of consolidation**

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

### **3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs**

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on 1 April 2023 for the preparation of the consolidated financial statements:

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

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

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

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

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

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

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

Except for disclosed above, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions 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 (the "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 four (2023: three) reportable operating segments as follows:

- Distribution and service in medical equipment and consumables;
- Hospital operation and management services;
- Business service; and
- Research and development and sale of functional food.

The following is an analysis of the Group's revenue and results by operating segments for the year ended 31 March 2024 and 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>	Research and development and sale of functional food <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2024					
Segment revenue					
Revenue from external customers	<u>45,849</u>	<u>14,081</u>	<u>–</u>	<u>–</u>	<u>59,930</u>
Segment results	382	(20,167)	(10,571)	(13,108)	(43,464)
Reconciliation:					
Unallocated other income					34,543
Unallocated expenses					<u>(33,373)</u>
Loss before tax					<u>(42,294)</u>

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:				
Unallocated other income				1,930
Unallocated expenses				<u>(42,291)</u>
Loss before tax				<u>(39,383)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by/(loss suffered) from each segment without allocation of central administration costs, unallocated other income, directors' emoluments and unallocated finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The following table is an analysis of the Group's assets and liabilities and other segment information as at 31 March 2024 and 2023:

**As at 31 March 2024**

	<b>Distribution and service in medical equipment and consumables <i>HK\$'000</i></b>	<b>Hospital operation and management services <i>HK\$'000</i></b>	<b>Business service <i>HK\$'000</i></b>	<b>Research and development and sale of functional food <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Segment assets	71,883	20,779	41,950	7,709	142,321
Corporate and other unallocated assets					<u>49,995</u>
Total assets					<u><u>192,316</u></u>
Segment liabilities	40,147	19,866	11,677	20,645	92,334
Corporate and other unallocated liabilities					<u>40,229</u>
Total liabilities					<u><u>132,563</u></u>

**As at 31 March 2023**

	<b>Distribution and service in medical equipment and consumables <i>HK\$'000</i></b>	<b>Hospital operation and management services <i>HK\$'000</i></b>	<b>Business service <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
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>

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.

### **Geographical information**

The Group's revenue were derived from the PRC and over 90% of the Group's non-current assets (excluded prepayment) were located in the PRC for both years, no geographical segment information in accordance with HKFRS 8 is presented.

### **Information about major customers**

No customer contributed over 10% of the Group's total revenue for both years.

## **5. REVENUE**

	<b>2024</b> <b>HK\$'000</b>	<b>2023</b> <b>HK\$'000</b>
Revenue from contracts with customers		
Income from distribution and service in medical equipment and consumables*	<b>45,334</b>	54,238
Income from provision of hospital operation and management services*	<b>14,081</b>	21,215
Service fee income*	<b>515</b>	961
	<b>59,930</b>	76,414

\* 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.

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

	2024 HK\$'000	2023 HK\$'000
(i) Other income:		
Loan interest income	914	439
Other interest income	6	—
Government grants ( <i>Note (a)</i> )	465	461
Commission income	3,365	—
Sales service income	3,050	—
Reversal of other payables	31,200	—
Sundry income	85	141
	<u>39,085</u>	<u>1,041</u>
(ii) Other (loss)/gain, net:		
Charge in fair value of contingent consideration	(13,853)	(17,692)
Impairment loss recognised on expected credit loss on loan and interest receivables	(17,739)	(4,039)
(Impairment loss recognised)/reversal of impairment loss on expected credit loss on trade receivables	(730)	889
Reversal of impairment loss/(impairment loss recognised) on expected credit loss on other receivables	34	(336)
Loss on disposal of property, plant and equipment	—	(229)
Impairment loss recognised in respect of right-of-use asset	(636)	—
Gain on disposal of subsidiaries	3,311	—
Loss on acquisition of subsidiaries	(313)	—
Impairment loss recognised in respect of goodwill	(13,831)	—
Others	151	—
	<u>(43,606)</u>	<u>(21,407)</u>

*Note:*

- (a) During the year ended 31 March 2024, the Group recognised government grants of HK\$465,000 (2023: HK\$461,000) by PRC government. There were no unfulfilled conditions or contingencies relating to these government grants.

## 7. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interest on lease liabilities	98	32
Interest on bank and other borrowings	229	449
Interest on convertible bonds	–	1,712
	<u>327</u>	<u>2,193</u>

## 8. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration for audit services	880	880
Auditor's remuneration for non-audit services	308	270
Depreciation of right-of-use assets	1,092	1,038
Depreciation of property, plant and equipment	2,562	3,114
Expenses related to short-term leases	922	919
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	15,558	10,129
– Share-based payments expense	–	23
– Contributions to defined contribution retirement plans	97	51

## 9. INCOME TAX EXPENSE

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

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements for both years. Hong Kong Profits Tax is calculated at the rate 16.5% (2023: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made 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.

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
Current tax – PRC		
Provision for the year	<b>215</b>	177
Deferred tax credit	<b>(12)</b>	–
	<u><b>203</b></u>	<u>177</u>

#### **10. LOSS PER SHARE**

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u><b>(40,187)</b></u>	<u>(42,046)</u>
	<b>2024</b> <b>'000</b>	2023 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u><b>475,464</b></u>	<u>426,574</u>

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, diluted loss per share is same as basic loss per share.

#### **11. TRADE RECEIVABLES**

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

- (i) The credit terms of income from distribution and service in medical equipment and consumables business is up to 90 days.
- (ii) The credit terms of provision of hospital operation and management services is up to 180 days.
- (iii) The credit terms of provision of business service is up to 30 days.

An aging analysis of the trade receivables (net of allowance for credit losses) as at the end of the reporting period, based on earlier of the invoice date and revenue recognition date, is as follows:

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 90 days	<b>11,964</b>	13,807
91 – 180 days	<b>3,308</b>	3,158
Over 180 days	<b>14,771</b>	13,786
	<u><b>30,043</b></u>	<u>30,751</u>

## 12. TRADE PAYABLES

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	<b>1,879</b>	1,288
1-3 months	<b>3,302</b>	1,560
Over 3 months but within 1 year	<b>26,364</b>	21,269
	<u><b>31,545</b></u>	<u>24,117</u>

## 13. OTHER PAYABLES AND ACCRUED EXPENSES

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other payables ( <i>Note</i> )	<b>34,960</b>	52,272
Accrued expenses	<b>27,474</b>	22,614
	<u><b>62,434</b></u>	<u>74,886</u>



*Note:*

As at 31 March 2023, US\$4,000,000 (equivalent to approximately HK\$31,399,000) 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.

Based on the judgment for the 2549 & 2569 Action recently handed down by the Court on 20 December 2023, Capital Foresight's claim against the Company for the US\$4 million Loan Note is dismissed by the Court. In dismissing Capital Foresight's claim in HCA 2569/2017 for the US\$4 million Loan Note, the Court accepted that a maturity date was not agreed and the absence of any agreement as to the maturity date of the Loan Note to be issued is a flaw. In relation to the Company's claim in HCA 2549/2017, the Court considered that the Company failed to prove facts and matters which justify the Court drawing inferences that the Capital Foresight Agreement, the Loan Note and the subsequent negotiation of agreements between the Company and Capital Foresight and Capital Foresight and the sole shareholder of Li Hong evidence the backdoor arrangement and the Court rejected the claims against all three Defendants.

Capital Foresight has lodged an appeal in the Court of Appeal against the judgment and the appeal will be heard by the Court of Appeal on 27 August 2024.

As a result of the judgment issued by the Court and with reference to the legal opinion obtained by the Company, the Company has no obligation to repay US\$4 million Loan Note to Capital Foresight and the US\$4 million Loan Note was recognised to profit or loss.

The Company will keep the shareholders informed of the latest material developments by making further announcement(s) as and when appropriate.

## 14. SHARE CAPITAL

	Number of shares		Amount	
	2024 '000	2023 '000	2024 HK\$'000	2023 HK\$'000
<b>Ordinary shares of HK\$0.1</b>				
(2023: HK\$1.0) each	100,000,000	10,000,000	10,000,000	10,000,000
<b>Authorised:</b>				
As at 1 April	10,000,000	10,000,000	10,000,000	10,000,000
Sub-division ( <i>note d</i> )	90,000,000	—	—	—
As at 31 March	<u>100,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
<b>Issued and fully paid:</b>				
As at 1 April	471,795	4,139,948	471,795	413,995
Issue of consideration shares ( <i>note a</i> )	7,200	178,000	720	17,800
Share consolidation ( <i>note b</i> )	—	(3,886,153)	—	—
Conversion of convertible bonds ( <i>note c</i> )	—	40,000	—	40,000
Capital reduction ( <i>note d</i> )	—	—	(424,616)	—
As at 31 March	<u>478,995</u>	<u>471,795</u>	<u>47,899</u>	<u>471,795</u>

*Notes:*

- (a) 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.

On 27 September 2023, the profit guarantee of Beijing Youkang for the year ended 31 March 2023 has been met and total of 7,200,000 ordinary shares were issued according to the relevant agreement regarding the acquisition of the subsidiary. The fair value of the issue of consideration shares on 27 September 2023, which is based on the closing price of HK\$1.24 per share as quoted on the Stock Exchange on 27 September 2023.

- (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.

- (d) At a special general meeting of the Company held on 18 September 2023, a special resolution was passed to approve the following changes to the capital of the Company (the “Capital Reorganisation”):
- (i) Capital reduction: (1) the par value of each of the issued shares be reduced from HK\$1.0 to HK\$0.1 per issued share by cancelling the paid-up share capital to the extent of HK\$0.90 per issued share and the credit arising from the reduction of issued share capital of the Company be credited to the accumulated losses of the Company; and
  - (ii) Sub-division whereby each of the authorised but unissued Shares with par value of HK\$1.00 each will be sub-divided into ten (10) unissued new shares with par value of HK\$0.10 each.

The Capital Reorganisation was effected on 20 September 2023.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of any final dividend to the shareholders (2023: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS REVIEW**

For the year ended 31 March 2024, the Group reported revenue of approximately HK\$59.9 million, representing a decrease of 21.6% as compared to HK\$76.4 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK\$45.8 million (2023: HK\$54.2 million); (b) income from hospital operation and management of approximately HK\$14.1 million (2023: HK\$21.2 million); and (c) service fee income from business factoring of nil (2023: HK\$1 million). For the year ended 31 March 2024, the Group reported gross profit of approximately HK\$13.6 million, representing a decrease of 50% as compared to HK\$27.2 million for the previous year.

For the year ended 31 March 2024, there was impairment loss recognised on expected credit loss (“ECL”) on loan and interest receivables of approximately HK\$17.7 million (2023: HK\$4 million). An impairment analysis is performed at each reporting date using the probability of default approach to measure 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 2024, the probability of default applied was 98.2% (2023: 20.1%) and the loss given default rate was estimated to be 64.1% (2023: 61.53%).

The Group’s loss attributable to shareholders for the year was approximately HK\$40.2 million as compared to a net loss of approximately HK\$42 million for the previous year. Basic loss per share for the year was HK\$8.45 cents (2023: HK\$9.86 cents).

### **REVIEW OF BUSINESS OPERATION**

For the year ended 31 March 2024, the business operations of the Group comprise (a) medical equipment and consumables distribution and service business; (b) hospital operation and management services business; (c) business factoring service; (d) distribution and marketing of pharmaceutical products; and (e) research and development and sale of functional food.

**(a) Medical equipment and consumables distribution and service business**

During the year, the Group recorded revenue of approximately HK\$45.8 million (2023: HK\$54.2 million), representing a decrease of 15.5% as compared with the previous year. The operating profit was approximately HK\$0.4 million (2023: HK\$5.4 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. The Group has 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.

**(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\$14.1 million (2023: HK\$21.2 million) and operating loss of approximately HK\$6.4 million (2023: HK\$0.5 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 the date of this announcement and before impairment loss on expected credit loss, approximately RMB46.7 million (approximately HK\$51.0 million) is outstanding 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. The Group did not record any revenue from business factoring business (2023: HK\$1 million) and recorded operating loss of approximately HK\$10.6 million (2023: HK\$4 million) during the year.

**(d) Distribution and marketing of pharmaceutical products**

On 16 June 2023, the Group completed 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, 武漢明誠旺達醫藥有限公司 (Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd., “Mingcheng Wangda”). The Group did not record any revenue during the year.

On 23 April 2024, the Group has terminated the above business following the disposal of 51% equity interest in Golden Alliance Limited as detailed in the section headed “Material Acquisitions and disposals”.

**(e) Research and development and sale of functional food**

On 16 November 2023, the Group completed acquisition of 100% equity interest in Jinmei Developments Limited, which is principally engaged in the research and development and sale of functional foods for the prevention of cardiovascular and cerebrovascular diseases through its wholly owned subsidiary, 深圳市偉航奕寧生物科技有限公司 (Shenzhen Weihang Yining Biotechnology Co., Ltd, “Weihang Yining”) as detailed in the section headed “Material Acquisitions and disposals”. The Group did not record any revenue (2023: nil) and recorded operating loss of approximately HK\$13.1 million (2023: nil) during the year.

**FUTURE PROSPECTS**

Over the past year, the PRC and Hong Kong had entered the post-pandemic era, and the society and economy had begun to recover and return to normal in an all-round way. The economic recovery and development of the PRC were against expectations due to insufficient overall demand, supply chain adjustments, and the adverse effects of geopolitics. However, 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.



During the reporting period, the Group was inevitably affected by the general environment and faced unprecedented difficulties in business operations, including the decline in the existing operations and the failure of the new distribution business to realise its plans. Thanks to the unremitting efforts of all employees of the Group, its businesses generally remained stable during the year. Recently, the Chinese government will continue to roll out new incentive policies to open wider to the world and improve the business environment. The Group expects that its business will bottom out and resume growth in the coming year.

The Group will remain committed to the existing development strategy, and concentrate resources to build a nationwide medical and healthcare distribution platform. On the one hand, it will continue to expand and integrate new channel resources, including the integration of offline entities and online e-commerce. On the other hand, it will further enrich new product resources by selecting high-quality products among medicines, healthcare products, nursing products and functional foods, to rapidly increase the market share of distributed products, thus forming competitive products of the Group. At the same time, active efforts will be made to carry out cooperation, integrate industry resources and seek new development opportunities, thereby enhancing the Group's core competitiveness. The Board believes that through endeavors in the next few years, the Group will be able to get through difficulties, achieve rapid development and create maximum value for the shareholders.

## **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\$16.3 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) Acquisition and disposal of 51% equity interest in Golden Alliance Limited**

On 2 December 2022, the Company and Mingcheng Wangda have entered into a cooperation framework agreement, pursuant to which the Company and Mingcheng Wangda intend to have close cooperation in various ways for distributing medical one health products. 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 (the "Sale Shares"), which is principally engaged in distribution and marketing of pharmaceutical products in the PRC through its indirectly wholly owned subsidiary (i.e. 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 (the "Consideration 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.

In the event that the audited consolidated net profit after tax of the target group for the financial year ending 31 March 2024 (“Actual Profit for FY2024”) is less than RMB12,000,000, the purchaser has the right to reduce the consideration per the terms of the Agreement. Concurrently, the Purchaser shall have the right (but not the obligation) to terminate the Agreement with immediate effect, whereby (a) the purchaser is not required to pay any consideration to the vendors; and (b) the purchaser shall return the Sale Shares to the vendors (the “Sale Shares Return”) and any related costs shall be borne by the vendors. Where the Sale Shares Return has been completed, the Agreement shall cease (the “First Exit Clause”). In the event that the Actual Profit for FY2024 is nil or negative, the purchaser is not required to pay any consideration to the vendors. Concurrently, the Agreement shall immediately cease (the “Second Exit Clause” together with the First Exit Clause, the “Exit Clauses”).

The acquisition was completed on 16 June 2023.

The Actual Profit for FY2024 is RMB-6,332,000 (equivalent to approximately HK\$-6,838,560), falling short of the guaranteed profit for FY2024 and the specified amount (i.e. RMB12,000,000) under the Exit Clauses. The purchaser decided to exercise the right to terminate under the Agreement with immediate effect under the Exit Clauses. On 23 April 2024, the purchaser issued the termination notice pursuant to terms of the Agreement. As a result, the Company shall no longer be obliged to issue any Consideration Shares and the promissory notes issued by the Company shall be cancelled and nullified with immediate effect from the date of the termination notice. Pursuant to the Agreement, where the Sale Shares Return has been completed, the Agreement and the obligations of the purchaser and the Company thereunder shall cease and determine. Upon the completion of the Sale Shares Return, Golden Alliance Limited will cease to be a subsidiary of the Company, and the Company will cease to hold any interest in the target group. The Sale Shares Return and disposal of Golden Alliance Limited has been completed on 23 April 2024.

Further details of the above has been disclosed in the announcements of the Company dated 6 February 2023, 26 April 2023, 31 May 2023, 16 June 2023 and 23 April 2024.

### **(iii) Acquisition of 100% equity interest in Jinmei Developments Limited**

On 12 October 2023, Long Heng Investments Limited (as the purchaser), the Company, Ever True Ventures Limited (as the vendor) and Ms. Ma Xiaoming (as the guarantor) entered into the agreement in respect of acquisition of 100% equity interest in Jinmei Developments Limited, which is principally engaged in the research and development and sale of functional foods for the prevention of cardiovascular and cerebrovascular diseases through its wholly owned subsidiary namely 深圳市偉航奕寧生物科技有限公司(Shenzhen Weihang Yining Biotechnology Co., Ltd), at the consideration of HK\$146,000,000, which shall be satisfied by the issue of the promissory note by the Company.

Pursuant to the respective sales and purchase agreement, the guarantor has irrevocably guaranteed to the purchaser and the Company that the actual profit for the year ending 31 December 2024 prepared in accordance with Hong Kong Financial Reporting Standards shall be not less than the guaranteed profit of RMB15 million (equivalent to approximately HK\$16.1 million) and the actual profit for the year ending 31 December 2025 prepared in accordance with Hong Kong Financial Reporting Standards shall be not less than the guaranteed profit of RMB40 million (equivalent to approximately HK\$42.8 million) respectively. In the event that the above profit guarantee is not achieved, the consideration shall be adjusted downwards by the adjusted amount as stated in the respective sales and purchase agreement. On 16 November 2023, the Company completed the acquisition with the issuance of promissory note of HK\$146,000,000 to the vendor as the consideration of the acquisition. The promissory note is interest-free and will be matured on 27 February 2026 or the 14th business day after the issue of the audited accounts for the 2025 actual profit, whichever is later. The Company shall settle the principal amount of the promissory note on the maturity date subject to the guarantor paying the adjusted amount (if any) to the Company simultaneously.

Further details of the above have been disclosed in the announcements of the Company dated 12 October 2023, 1 November 2023, 15 November 2023 and 16 November 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 2024 (2023: nil).

## **CAPITAL REDUCTION OF ISSUED SHARES, SUB-DIVISION OF UNISSUED SHARES AND REDUCTION OF SHARE PREMIUM**

On 1 August 2023, the Board proposes the capital reduction of issued shares (the “Capital Reduction”), the sub-division of unissued shares (the “Sub-division”) and the reduction of share premium (the “Share Premium Reduction”) to be implemented in the following manner:

- (i) the Capital Reduction whereby the par value of each of the issued shares will be reduced from HK\$1.00 to HK\$0.10 per issued share by cancelling the paid up share capital to the extent of HK\$0.90 per issued share;
- (ii) the Sub-division whereby each of the authorised but unissued shares with par value of HK\$1.00 each will be sub-divided into ten (10) unissued new shares with par value of HK\$0.10 each;
- (iii) the Share Premium Reduction whereby the entire amount standing to the credit of the share premium account of the Company will be reduced to nil; and

- (iv) upon the Capital Reduction and the Share Premium Reduction becoming effective, the credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended from time to time) to thereafter be applied towards inter alia offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction and the Share Premium Reduction in accordance with and as permitted by all applicable laws and the memorandum of association and bye-laws of the Company and as the Board considers appropriate.

Upon the Capital Reduction, the Sub-division and the Share Premium Reduction becoming effective, after the share subdivision of each authorised but unissued share of HK\$1.00 into ten (10) new shares of HK\$0.10 each, the authorised share capital will be HK\$10,000,000,000 divided into 100,000,000,000 new shares of HK\$0.10 each, of which 478,994,763 Shares will be issued new shares, and US\$150 divided into preference shares of US\$0.01 each. The authorised share capital of the Company shall remain at HK\$10,000,000,000 and US\$150 prior to and immediately after completion of the Capital Reduction, the Sub-division and the Share Premium Reduction. The par value of each of the 478,994,763 issued shares will be reduced from HK\$1.00 to HK\$0.10 per issued share by cancelling the paid up share capital to the extent of HK\$0.90 per issued share by way of a reduction of capital, so as to form issued new shares with par value of HK\$0.10 each, the Company's existing issued share capital of HK\$478,994,763 will be reduced by HK\$431,095,286.70 to HK\$47,899,476.30.

The Capital Reduction, the Sub-division and the Share Premium Reduction became effective on 20 September 2023. Further details of the above have been disclosed in the announcements of the Company dated 1 August 2023, 18 September 2023 and 20 September 2023 and the circular of the Company dated 24 August 2023.

## **UPDATE OF USE OF PROCEEDS**

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 placees. 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. All the net proceeds were utilised as planned as to (i) HK\$13,800,000 as the general working capital of the Company; and (ii) HK\$25,000,000 for business development and investment of the Group. 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.

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

## **FUND RAISING ACTIVITY**

There were no fund raising activity during the year.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group mainly financed its day to day operations by internally generated cash flow during the year. As at 31 March 2024, the Group's cash and cash equivalents amounted to approximately HK\$4 million (2023: HK\$11.5 million). As at 31 March 2024, the current assets and net current assets of the Group are approximately HK\$129.0 million (2023: HK\$142.1 million) and HK\$16.9 million (2023: HK\$14.9 million) respectively, representing a current ratio of 1.15 (2023: 1.12).

As at 31 March 2024, the Group has certain bank loans, which were denominated in Renminbi, amounting to approximately RMB5 million (2023: RMB5 million) (approximately HK\$5.5 million) (2023: HK\$5.7 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 2023, a dividend payable on redeemable convertible cumulative preference shares in the sum of US\$4 million (equivalent to approximately HK\$31.4 million) (2023: US\$4 million) (equivalent to approximately HK\$31.4 million) was included in other payables and accrued expenses. As a result of the judgment issued by the Court and with reference to the legal opinion obtained by the Company, the Company has no obligation to repay the US\$4 million Loan Note and the US\$4 million Loan Note was recognised to profit or loss. Details of the above were disclosed in note 13 of these financial statements.

As at 31 March 2024, the gearing ratio was 0.11 (2023: 0.43), calculated by dividing dividend payable on redeemable convertible cumulative preference shares of nil (2023: HK\$31.4 million) and bank borrowings of approximately HK\$5.5 million (2023: HK\$5.7 million) (representing debts owed by the Company) by equity attributable to owner of the Company of approximately HK\$52.0 million (2023: HK\$86.3 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 2024, there were no material contingent liabilities of the Group (2023: nil).

## **CHARGE ON GROUP'S ASSETS**

As at 31 March 2024, there were no charge on the Group's assets (2023: nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2024, the Group employed 127 employees (2023: 137). The total staff cost including Directors' emoluments and share based payment of nil (2023: HK\$0.02 million) was approximately HK\$15.7 million as compared to approximately HK\$10.2 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. Share option schemes have also been established for employees of the Group. No share options were granted during the year. No share options were granted, lapsed or cancelled during the year. There were 19,050,000 outstanding share options as at 31 March 2024.

## **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**

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders. During the year ended 31 March 2024, the Company has applied the principles in the Corporate Governance Code (the “Code”) as stated in Appendix 14 to the Listing Rules. The corporate governance principles of the Company put an emphasis on an effective Board with a high level of integrity, sound internal controls, and a high degree of transparency and accountability, which enhances corporate value for shareholders and protects the long-term sustainability of the Group and thereby achieving sustainable business growth and generating values over the longer term and the strategy for delivering the Group’s objective.

In the opinion of the Board, the Company has complied with the applicable code provisions set out in the Code throughout the year ended 31 March 2024 except for certain deviation disclosed herein.

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 Period 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 2024.



## SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's results for the year ended 31 March 2024 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, 27 June 2024

*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.*