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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)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2025

Reference is made to the annual report (the "**Annual Report**") of China Health Group Limited (the "**Company**" together with its subsidiaries, the "**Group**") for the year ended 31 March 2025 ("**FY2025**"). Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meaning as defined in the Annual Report.

The Board would like to supplement the following additional information in relation to (i) the loan and interest receivables of the Group; and (ii) the management discussion and analysis in respect of the principal businesses of the Group.

LOAN AND INTEREST RECEIVABLES

As set out in the section headed "Management Discussion and Analysis" in the Annual Report (the "**MD&A**"), the Group recorded impairment loss of approximately HK$11.7 million recognised on expected credit loss ("**ECL**") on loan and interest receivables. The methodology and inputs of the impairment analysis in respect of the Loans are set out in the MD&A on page 4 of the Annual Report.

The loan and interest receivables of the Group for which impairment loss on ECL was recognised for FY2025 (the "**Loans**") comprised loans and interest accrued thereon due from (i) Shuangluan Hospital; (ii) Mingcheng Wangda; and (iii) 北京極目雲健康科技有限公司 ("**Jimuyun**"). The Board would like to supplement the following information in relation to the Loans.

1. Loan to Shuangluan Hospital (the "Shuangluan Loan")

Actions taken in FY2025

Details of the Shuangluan Loan, including the actions taken by the Company to recover the loan, are set out in the subsection headed "Shuangluan Hospital" of the MD&A on pages 5 and 6 of the Annual Report. As mentioned therein, the Group had, on 12 September 2024, filed the Writ against the Shuangluan Government and the Shuangluan Hospital for the recovery of the Shuangluan Loan at the Chengde Court, which was accepted and registered by the court on 21 May 2025.

Status of the litigation and expected timeline

On 13 June 2025, the Group, through its lawyers, submitted relevant evidence to the Chengde Court and, on 15 July 2025, the court conducted the hearing in respect of the litigation. Since then, the Group's lawyers had been following up closely with the court for its judgment via phone calls. The Group's lawyers had originally expected the Chengde Court to issue its judgment in November 2025; however, in the experience of the Group's lawyers, the cases at the court have recently needed longer time to be closed and for judgments to be issued. As at the date of this announcement, the Group has not yet received the judgment of the Chengde Court in respect of the litigation. Nevertheless, the Group and its lawyers will continue to follow-up closely in respect of the Chengde Court's judgment on the litigation.

Concurrent with the above litigation, the Group also continued to contact the Shuangluan Government to discuss possible repayment plans. According to the government representative, the Shuangluan Government is currently awaiting approval of funds to be used for settlement of its debts, which may possibly include settlement of the Shuangluan Loan. The Group will continue to proactively engage with the Shuangluan Government regarding the recovery of the Shuangluan Loan.

In addition to the Group's lawyers handling the litigation at the Chengde Court, in October 2025, the Group engaged a separate law firm to provide legal services in respect of recovery of the Shuangluan Loan including, among others, (i) providing legal opinions and formulating strategies for both out-of-court settlement and litigation; (ii) representing the Group in court proceedings and negotiations; (iii) actively pursuing the enforcement of any judgment or settlement agreement, including identifying and seizing assets; and (iv) assisting the Group in communications with the debtor and its legal advisers.

2. Loan to Mingcheng Wangda (the "Mingcheng Loan")

Actions taken in FY2025

As set out in the Annual Report, Mingcheng Wangda is wholly-owned by Golden Alliance Limited. Details of the Mingcheng Loan, including the actions taken by the Company to recover the loan, are set out in the subsection headed "(ii) Disposal of 51% equity interest in Golden Alliance Limited" of the MD&A on pages 10 to 12 of the Annual Report. As mentioned therein, the Group disposed of Golden Alliance Limited on 23 April 2024.

Subsequent to the disposal, the Company has been monitoring the recovery process of the Mingcheng Loan by constantly contacting the debtor on the repayment plan. However, as time has dragged on without any consensus on the repayment plan, the Company initiated legal proceedings against Mingcheng Wangda on 5 September 2025 at the People's Court of Nanshan District, Shenzhen City (the "**Nanshan Court**") for the recovery of the Mingcheng Loan.

Status of the litigation and expected timeline

The litigation was accepted and registered at the Nanshan Court on 9 September 2025. As advised by the Group's lawyers, the Nanshan Court has tentatively arranged for the first hearing to be held on 9 December 2025. The Group and its lawyers are currently preparing for the court hearing. Based on the tentative hearing date, the Group's lawyers expect that the Nanshan Court will issue its judgment in March 2026.

3. Loan to Jimuyun (the "Jimuyun Loan")

Jimuyun is a developer of hospital management system, that is a comprehensive and integrated information system designed to manage all aspects of a hospital's operation, such as medical, administrative, financial function and the corresponding processing of services utilizing cloud technology. The Group had used Jimuyun's hospital management system at the Shuangluan Hospital (a hospital previously operated and managed by the Group as mentioned in the Annual Report); and is currently still using Jimuyun's system at Anping Bo'ai Hospital (a hospital operated and managed by the Group since 2016 and owned by the Group since 2019).

At the time of granting the Jimuyun Loan, the Group was optimistic about the prospects of the hospital management system developed by Jimuyun, and was exploring various forms of cooperation with Jimuyun, including provision of financial support and/or making an equity investment. In this context, the Group granted a loan of RMB3 million (equivalent to approximately HK$3.3 million) to Jimuyun in June 2017, with a one-year term, to support its product research and development. The loan carried an interest rate of 7% per annum and is unsecured and unguaranteed. In October 2017, the Group granted an additional loan of RMB1 million (equivalent to approximately HK$1.1 million) on the same terms. It was intended that the Group might acquire an equity interest in Jimuyun by capitalising the loan, subject to further negotiations on the terms with Jimuyun. In 2019, in light of certain regulatory changes, the Group decided not to proceed with the equity investment in Jimuyun.

Having considered (i) the existing business relationship between the Group and the debtor; and (ii) the close and continuous liaison between the parties to discuss the repayment plan, the Company extended the maturity date of the Jimuyun Loan to 31 March 2026. The debtor has advised that it is taking certain steps to improve its financial position, upon the completion of which, the debtor expects to be in a better position to potentially repay the loan. The Company will continue to follow-up closely with the debtor regarding recovery of the Jimuyun Loan.

MANAGEMENT DISCUSSION AND ANALYSIS

Throughout the years, the Group's business strategy has been formulated with careful regard to various factors relevant to the PRC medical and healthcare market including but not limited to, (i) the ongoing opening up and reform of the medical and health systems; (ii) the rising public awareness of importance of healthcare and wellness; (iii) the development trend of the medical insurance system; (iv) the aging demographic profile of population; (v) rapid advancement of medical and healthcare related technology; (vi) the growth in GDP and the wealth of the population on average; and (vii) rapid urbanisation across the PRC.

As mentioned in the Company's annual reports for the past decade, the Group's long-term objective has been to develop into a holistic medical and healthcare group in the PRC by integrating its capabilities across (i) hospital management and operations supported by information technology; (ii) procurement, marketing and distribution of high-quality medical devices and consumables to hospitals and clinics; (iii) research, development and manufacturing of healthcare and wellness products; and (iv) provision of a broad range of medical-related services.

As disclosed in the MD&A in the Annual Report, for FY2025, the business operations of the Group comprised, among others, (i) medical equipment and consumables distribution and service business (the "**Distribution Business**"); and (ii) hospital operation and management services business (the "**Hospital Business**"). The Board would like to supplement the following information in relation to the Distribution Business and Hospital Business of the Group.

1. Distribution Business

In 2018, the Group began operating its Distribution Business through its subsidiary 馬格瑞茲(武漢)醫療技術發展有限公司 (Mageruizi (Wuhan) Medical Technology Development Co., Ltd.) ("**Mageruizi**"), which was based in Wuhan, Hubei Province. Mageruizi focused on the supply and distribution of cardiovascular stents and catheters to hospitals and clinical customers in Wuhan and the surrounding Hubei area.

In 2021, the Group acquired 北京佑康健業醫療器械有限公司 (Beijing Youkang Jianye Medical Equipment Co., Ltd.) ("**Beijing Youkang**"), which was based in Beijing. Beijing Youkang focused on the cardiovascular and coronary medical fields, reflecting both (i) China's ageing population prone to cardiovascular and coronary diseases; and (ii) the growing prevalence of heart disease among China's younger population. Beijing Youkang serves hospitals and clinical customers primarily in Beijing and surrounding regions. It sources products from multinational medical-device manufacturers as well as reputable domestic importers and producers. Its core product portfolio covers a wide range of surgical, cardiac and vascular, electrophysiology consumables and equipment.

In 2022, the second wave of national medical and healthcare reforms in the PRC has significantly reshaped the operating environment for the medical industry. The reforms aimed to improve the cost-efficiency and transparency in the national healthcare insurance system by (i) implementing centralised procurement of medicines and medical consumables; (ii) standardising treatment and reimbursement ceilings; and (iii) discouraging excessive medical procedures and profit-driven practices.

As mentioned above, Mageruizi's business was heavily concentrated in a single product category, namely, cardiovascular stents and catheters, which was among the first to be affected by the national centralised procurement policy. The continued unfavourable market conditions and the adverse impact of the national centralised procurement policy eroded Mageruizi's margins and competitiveness during each of the years ended 31 March 2022, 2023 and 2024. In FY2025, the business operations of Mageruizi ceased to operate. The Group is focusing its Distribution Business resources on Beijing Youkang, which serves as the Group's principal operating platform in the medical consumables and equipment distribution segment.

Business review for FY2025

The Distribution Business recorded a decline in both revenue and profitability for FY2025 as compared with FY2024, primarily due to (i) the continuing impact of the PRC's centralised procurement policy, which reduced product and service pricing flexibility; and (ii) intensified market competition across the private medical and healthcare sectors.

As set out in the Annual Report, during FY2025, the Distribution Business recorded a revenue decline of approximately 39.6% from the year ended 31 March 2024 ("**FY2024**") to approximately HK$27.7 million. This was primarily due to the scale down of sales of medical equipment, which experienced reduced unit selling prices and lower margins under the continued impact of the nationwide centralised procurement policy and tightened hospital budget. While this policy enhanced transparency and reduced procurement costs for hospitals, it also intensified competition among distributors and restricted pricing flexibility, particularly for imported and high-end medical products.

Nevertheless, the Group considers that imported premium medical consumables continue to possess a competitive advantage over domestic alternatives in terms of quality, reliability and safety, and are expected to maintain steady demand among major hospitals, albeit at lower margins, as they are essential consumable items used in surgeries, as compared to medical devices which have a longer replacement life-cycle. Moreover, under the second wave of national medical healthcare reforms in the PRC, as mentioned above, (i) centralised procurement has significantly lowered the prices of many medical consumables; and (ii) hospitals are subject to standardised treatment plans which, among other things, limits the range of their pricing, the overall cost of surgical procedures have become more affordable to patients. The Group expects this affordability may increase procedure volumes, leading to increased overall consumption of medical consumables, particularly in affluent markets such as Beijing and among top-tier hospitals, which will attract more patients given their more advanced facilities and overall affordability, as discussed above, creating new opportunities for sales growth in the medium to long term.

Despite the revenue decline, the Group implemented stringent cost control measures to strengthen operational resilience. The segment's gross profit margin decreased from 33.3% in FY2024 to 24.9% in FY2025 due to lower average selling prices across the products affected by the centralised procurement policy. Selling and distribution expenses were reduced by 53.2% as a result of lower sales volume, while administrative expenses decreased by 35.1% through cost-cutting measures, including salary adjustments, while maintaining overall headcount. As a result, the segment managed to achieve breakeven in FY2025, recording a net profit of about HK$0.3 million.

In light of the foregoing, the Group strategically realigned its product portfolio, focusing on (i) diversification into new surgical fields; (ii) reinforcing the sales of existing products with more favourable margins; and (iii) leveraging its established strength in cardiovascular product distribution. In March 2025, the Group commenced the distribution of cryoablation needles used in tumour surgery, representing its first entry into the oncology-related surgical segment during FY2025. The Group also plans to launch cardiac pacemaker and other new cardiovascular products in the second half of the year ending 31 March 2026 ("**FY2026**"). The product mix has shifted toward wider surgical applications and high-turnover consumables required by the hospitals.

The new cardiovascular products planned for FY2026, including the cardiac pacemaker, are products which are listed for centralised procurement under the national centralised procurement policies. However, these new products have higher margins in comparison to other centrally procured products. Together with the cryoablation needles used in tumour surgery, which are not products listed for centralised procurement under the current policies, the introduction of these new products are expected to improve the overall profitability of the Group's product mix.

Business plans

The Group's strategic goal remains to strengthen Beijing Youkang's position as a distributor of high-quality medical consumables and devices in the Beijing and surrounding region. Over the next one to two years, its focus will be on (i) reinforcing the sales of existing products with more favourable margins; (ii) expanding its hospital and customers network; and (iii) securing new products that align with market demand and clinical needs of hospitals.

The Group seeks to capitalise on take advantage of the increasing affordability of surgical procedures as a result of (i) lowered prices of medical consumables used in surgeries due to centralised procurement; and (ii) standardised treatment plans which, among other things, limits the range of pricing for hospitals, which is expected to increase procedure volumes and overall consumption of medical products, particularly in affluent market such as Beijing and among top-tier hospitals.

In FY2025, the Group continued to distribute premium imported medical consumables in areas where strong brand recognition and proven clinical performance provide sustainable competitive advantages. Since March 2025, the Group has commenced distribution of cryoablation products in the medical consumable category, marking its entry into the tumour surgery field.

To further broaden its product portfolio, the Group has been in discussions with two leading cardiovascular hospitals in Beijing regarding the introduction of new cardiovascular products. The proposed cooperation with one hospital involves the distribution of foreign-branded cardiac pacemaker products, while the potential cooperation with the other hospital focuses on domestic-branded cardiovascular products. These partnerships are expected to commence in the second half of FY2026 and are anticipated to enhance the revenue streams of the Group, further strengthening Beijing Youkang's presence in the high-value cardiovascular segment and deepening its long-term relationships with top-tier medical institutions in Beijing and surrounding areas.

While the Beijing market remains highly regulated and competitive, characterised by stringent hospital-access requirements and a landscape dominated by large state-owned authorised hospital procurement platforms with strong financial institution backing, Beijing Youkang's long-standing presence, extensive hospital network, and established reputation for service quality provide it with a competitive edge over other distributors.

2. Hospital Business

Anping Bo'ai Hospital, a private profit-making Class II general hospital located in Anping County, Hebei Province, is the core of the Group's Hospital Business. The hospital provides outpatient, inpatient, and general medical services across multiple specialties, including clinical medicine, paediatrics, surgery, gynaecology, traditional Chinese medicine and otolaryngology with health examinations and diagnosis services. Anping Bo'ai Hospital occupies a gross floor area of approximately 6,123 square metres and is equipped with 130 inpatient beds.

Business review for FY2025

Since 2022, the second wave of national medical and healthcare reforms in the PRC has significantly reshaped the operating environment for private hospitals. The reforms aimed to improve the cost-efficiency and transparency in the national healthcare insurance system by (i) implementing centralised procurement of medicines and medical consumables; (ii) standardising treatment and reimbursement ceilings; and (iii) discouraging excessive medical procedures and profit-driven practices. While these policies have strengthened system integrity, they have also compressed operating margins and intensified competition.

With the introduction of standardised treatment under the 2022 medical and healthcare reforms, which, among other things, limits the pricing of services, larger Class II and Class III hospitals with advanced diagnostic and surgical facilities have become more affordable and attractive to patients who previously could only afford to seek care at smaller Class II hospitals, such as Anping Bo'ai Hospital, or Class I hospitals. The 2022 medical and healthcare reforms also reduced demand for non-essential inpatient and outpatient treatments and operations. Consequently, inpatient admissions and surgical volumes of Anping Bo'ai Hospital declined, resulting in a 39.1% decrease in inpatient revenue in FY2025. Outpatient services also weakened, reflecting reductions in both patient visits and average fees per case, leading to a 12.0% decline in outpatient revenue in FY2025.

In light of these structural changes, the Group has refined its operational strategy to ensure continuous development of the Hospital Operation. The strategy is twofold:

1. Strategic repositioning – transforming Anping Bo'ai Hospital from a conventional treatment-oriented general hospital into an integrated rehabilitation, nursing-care and health-management platform, focusing on service areas supported by recurring demand and national policy priorities; and

2. Business revitalisation – restoring revenue growth and achieving operating breakeven through the development of post-treatment rehabilitation, elderly care and preventive health programmes, which leverage existing facilities and human resources without significant capital expenditure.

This refined direction represents a pragmatic response to the evolving dynamics of the PRC healthcare industry. Given the increasing competition from larger Class II and Class III hospitals and the hospital's limitations in advanced medical equipment, Anping Bo'ai Hospital is shifting its focus away from capital-intensive surgical operations toward service areas that better utilise its existing resources. By repurposing inpatient beds for rehabilitation and nursing-care services, the hospital aims to enhance asset efficiency while aligning its operations with national healthcare policies promoting "medical-nursing integration"（醫養結合）and community-based eldercare development.

Business plans

To align with its refined strategic direction, the Group plans to broaden Anping Bo'ai Hospital's service scope from a treatment-based model to an integrated rehabilitation, nursing-care and health-management platform. The hospital will strengthen and expand service lines such as health examination, traditional Chinese medicine, pain treatment, physiotherapy and rehabilitation, with the goal of providing continuous, community-based health-management services. These initiatives aim to capture growing demand for preventive and rehabilitative care driven by China's ageing population and evolving healthcare policies.

Building upon its existing core departments including internal medicine, gynaecology, paediatrics and laboratory diagnostics, Anping Bo'ai Hospital is launching a health-management programme initially focused on four key areas:

1. Patient self-paid physical check-up packages and the establishment of personal health records;

2. Chronic-disease medication management and improvement of metabolic indicators for patients with hypertension and diabetes;

3. Weight-control and healthy-diet programmes; and

4. Sleep-quality improvement and lifestyle-coaching services.

These programmes are designed to generate recurring service income, expand outpatient traffic, and align with national public-health and preventive-care policies.

The hospital's repositioning began in October 2025, with foundational work underway, including business planning, departmental restructuring, staff redeployment and professional training. There are no additional licenses which are required for the hospital to provide the abovesaid services. In respect of the repositioning, the Group (i) will repurpose underutilised inpatient beds for rehabilitation and nursing-care services; and (ii) has arranged/will arrange training for existing staff and will hire additional qualified staff to provide the new services. The Group anticipates that an investment of approximately RMB300,000 (equivalent to approximately HK$330,000) will be sufficient to establish the relevant departments, train existing staff and hire qualified personnel.

The new departments created from the repositioning are planned to have around 20 to 24 medical staff in total, according to actual operation needs. Such positions can be filled by existing staff of the hospital or the Group may hire additional staff to fill them.

The new health management department is planned to have around 9 to 11 medical staff, comprising (a) 1 to 2 chief physical examination physicians（體檢主檢醫生）; and (b) 8 to 9 health management practitioners（健康管理師）. Of these, around 4 to 6 staff positions can be taken up by existing staff of the hospital, specifically, (a) 1 to 2 chief physical examination physician（體檢主檢醫生）positions can be taken up by the hospital's existing internal medicine physicians（內科醫生）; and (b) around 3 to 4 health management practitioner（健康管理師）positions can be taken up by the hospital's existing medical staff with relevant training. The remaining 5 health management practitioner（健康管理師）positions are expected to be filled through external hiring.

The new rehabilitation department is planned to have around 11 to 13 medical staff, consisting of (a) 1 to 3 rehabilitation physicians (康復醫師); and (b) around 10 rehabilitation technicians (康復技師). These positions are expected to be filled through external hiring.

In respect of the repositioning, Anping Bo'ai Hospital has also entered into nine cooperation agreements with elderly nursing homes in Anping County and is in negotiation with three additional institutions. Such cooperation forms part of Anping Bo'ai Hospital's community outreach and marketing activities for its medical and healthcare services, through forming referral and service networks with nursing homes, it aims to broaden the patient base, strengthen community presence and enhance the reputation of the hospital. Under these agreements, Anping Bo'ai Hospital will provide free services to the residents of the elderly nursing homes including (i) streamlined registration, consultation, examination and admission services for elderly patients, supported by designated guidance nurses; (ii) regular clinics providing consultations and promoting Anping Bo'ai Hospital's healthcare services; (iii) regular lectures, consultations and medical guidance on health and chronic disease management; (iv) seasonal rehabilitation, nursing and health-education programs, along with training for nursing-home staff; and (v) assistance to partner nursing homes to establish standard protocols for rehabilitation, geriatric nursing and home-care services.

To ensure effective implementation of the repositioning, a new hospital president was appointed in early October 2025. He brings extensive experience in hospital management and in developing integrated rehabilitation and elderly-care services, and is overseeing the hospital's transition toward a health-management-centred model. The Group is also seeking to hire additional qualified medical personnel to bolster its existing departments and services.

In addition to the above, Anping Bo'ai Hospital has also introduced a comprehensive cost-based and performance-based review system that links staff remuneration to measurable outcomes such as departmental efficiency, service quality and revenue contribution. This system enhances motivation, accountability and proactive patient acquisition, fostering a more efficient and results-oriented management culture.

Going forward, the integration of these initiatives is expected to improve operating efficiency, diversify revenue sources, and position Anping Bo'ai Hospital to achieve operational turnaround and growth within the reformed healthcare environment.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Health Group Limited
Cao Xu
Chairman of the Board and Executive Director

Hong Kong, 28 November 2025

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Cao Xu (Chairman), Mr. Chung Ho and Ms. Ying Rensi; two non-executive Directors, namely, Mr. Ying Wei and Mr. Huang Lianhai; and three independent non-executive Directors, namely, Mr. Li Hongyi, Mr. Wu Hui and Ms. Yang Huimin.