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 2017

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 2017 together with the comparative figures for the corresponding year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 March	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**14,989**	23,716
Cost of services		**(6,009)**	(18,225)
Gross profit		**8,980**	5,491
Other income	*6*	**5,199**	14,800
Selling and distribution expenses		**(656)**	(5,012)
Administrative expenses		**(82,603)**	(55,185)
Finance costs	*7*	**–**	(7,283)
Impairment loss on other receivables		**–**	(15,149)
Net loss recognised on de-consolidation of subsidiaries	*13*	**–**	(15,969)

	Notes	For the year ended 31 March 2017 HK$'000	2016 HK$'000
LOSS BEFORE TAX	*8*	**(69,080)**	(78,307)
Income tax	*9*	**(197)**	(128)
LOSS FOR THE YEAR		**(69,277)**	(78,435)
Attributable to:			
Owners of the Company		**(69,277)**	(73,214)
Non-Controlling interests		**–**	(5,221)
		(69,277)	(78,435)
LOSS PER SHARE	*10*		
Basic		**(HK1.91 cents)**	(HK2.69 cents)
Diluted		**(HK1.91 cents)**	(HK2.69 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(69,277)**	(78,435)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(1,097)**	5,185
Reclassification adjustment relation to foreign operation de-consolidation during the year	**–**	(21,965)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(70,374)**	(95,215)
Attributable to:		
Owners of the Company	**(70,374)**	(89,994)
Non-controlling interests	**–**	(5,221)
	(70,374)	(95,215)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,507**	238
Goodwill		**–**	–
Intangible assets		**16,496**	–
Available for sale investments		**22,558**	–
Prepayment for acquisition of properties		**11,843**	–
Loan receivables		**58,858**	17,985
		111,262	18,223
CURRENT ASSETS			
Trade receivables	*11*	**1,691**	562
Prepayments, deposits and other receivables		**50,092**	11,169
Cash and bank balances		**7,087**	205,027
		58,870	216,758
CURRENT LIABILITIES			
Other payables and accrued expenses		**55,505**	49,889
Amounts due to de-consolidated subsidiaries		**4,625**	4,716
		60,130	54,605
NET CURRENT (LIABILITIES)/ASSETS		**(1,260)**	162,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**110,002**	180,376
NET ASSETS		**110,002**	180,376
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**321,995**	211,995
Reserves		**(211,993)**	(31,619)
TOTAL EQUITY		**110,002**	180,376

Notes:

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding, the principal activities of its subsidiaries are engaged in hospital management service and trading of medical equipment during the year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

Change in composition of the board

Before the change in composition of the board, the book-keeping function of the Group was previously performed by the accounting team of the Group stationed in the PRC. All supporting documents for transactions of the Company and its subsidiaries in Hong Kong were passed to the accounting team in the PRC who was responsible for preparing vouchers, maintaining the books of the Group and preparing the accounts of the Group under the supervision of the Company's former directors.

After the change of the board composition on 18 June 2016, the accounting team in the PRC and the former directors did not provide the books and records and supporting documents of the Group to the existing directors and management of the Company (the "Existing Management") despite their repeated requests. As such, the Existing management was unable to locate supporting documents for certain transactions and balances (e.g. certain bank movements during the year ended 31 March 2017 which were charged to profit or loss and bank balances as at 31 March 2017 of certain subsidiaries of the Group). The Existing Management therefore were unable to determine the nature of certain transactions as detailed below:

	HK$'000
Other income	2,670
Administrative expenses	13,155

Going concern assumption

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the following:

(i) The Group incurred a consolidated net loss of approximately HK$69,277,000 for the year ended 31 March 2017; and

(ii) The Group's current liabilities exceeded its current assets by approximately HK$1,260,000 as at 31 March 2017.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, the directors of the Company are of the opinion that the Group will be able to finance its working capital and financial requirements given that (i) 420,000,000 shares at a subscription price of HK$0.17 have been issued on 5 June 2017 with net proceeds of approximately HK$71,300,000 to the Company and (ii) the security deposit of US$4,000,000 (equivalent to approximately HK$31,060,000) required by the court has been released to the Company in April 2017.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirement. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group to fail to continue as a going concern.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 April 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

a) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

b) Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 March 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

c) Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasize that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

d) ***Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation method and hence the amendments have not have any impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

e) ***Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants***

The amendments define a bearer plant that is a living plant that:

a) is used in the production or supply of agricultural produce;

b) is expected to bear produce for more than one period; and

c) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

f) ***Annual Improvements to HKFRSs 2012-2014 Cycle***

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarized below.

Firstly, the amendments to HKFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Group's consolidated financial statements.

3.2 New and revised HKFRSs that are not mandatorily effective for the current year

The Group has not applied any of the following new and revised HKFRSs that have been issued but are not yet mandatorily effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The Group anticipates that the application of the above new or amended standards have no material impact on the results and the financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 15 Revenue from Contracts with Customers and the clarifications to HKFRS 15

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue,* HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 *Leases* and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide a number of guidance to help entities assess and estimate whether sufficient taxable profits will be available against which it can utilise a deductible temporary difference. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasizes that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

– Hospital management service;
– Trading of medical equipment;
– Healthcare service (note); and
– B-to-C consumer service of E-distribution of mobile pre-charge (note).

Note: Subsidiaries under these operating segments had been de-consolidated in the prior year as disclosed in note 13

Segment assets excluded available-for-sale financial assets and other corporate assets as these assets are managed on a group basis.

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

The following is an analysis of the Group's revenue and results by operating segment for the year ended 31 March 2017 and 2016:

For the year ended 31 March 2017	**Hospital management service** *HK$'000*	**Trading of medical equipment** *HK$'000*	**Total** *HK$'000*
Segment revenue			
Revenue from external customers	**2,664**	**12,325**	**14,989**
Segment results	**(8,127)**	**3,003**	**(5,124)**
Reconciliation:			
Interest income and unallocated income			**5,199**
Corporate and other unallocated expenses			**(69,155)**
Loss before tax			**(69,080)**

For the year ended 31 March 2017	**Hospital management service** *HK$'000*	**Trading of medical equipment** *HK$'000*	**Total** *HK$'000*
Depreciation and amortisation	**435**	**12**	**447**
Reconciliation:			
Unallocated depreciation and amortization			**177**
			624

For the year ended 31 March 2016	B to C Comsumer service *HK$'000*	Healthcare service *HK$'000*	Hospital management service *HK$'000*	Total *HK$'000*
Segment revenue				
Revenue from external customers	8,810	14,332	574	23,716
Segment results	(1,735)	(20,417)	508	(21,644)
Reconciliation:				
Interest income and unallocated income				7,893
Corporate and other unallocated expenses				(40,949)
Finance costs unallocated				(7,283)
Impairment loss on other receivables				(355)
Net loss recognised on deconsolidated subsidiaries				(15,969)
Loss before tax				(78,307)
Depreciation and amortisation	52	1	–	53
Reconciliation				
Unallocated depreciation and amortization				58
				111

The following table is an analysis of the Group's assets and liabilities and other segment information as at 31 March 2017 and 2016:

For the year ended 31 March 2017

	Hospital management service *HK$'000*	**Trade of medical equipment** *HK$'000*	**Total** *HK$'000*
Segment assets	**73,728**	**36,347**	**110,075**
Corporate and other unallocated assets			**60,057**
Total assets			**170,132**
Segment liabilities	**430**	**529**	**959**
Corporate and other unallocated liabilities			**59,171**
Total liabilities			**60,130**

For the year ended 31 March 2016

	B to C Comsumer service *HK$'000*	Healthcare service *HK$'000*	Hospital management service *HK$'000*	Total *HK$'000*
Segment assets	–	–	22,538	22,538
Corporate and other unallocated assets				212,443
Total assets				234,981
Segment liabilities	–	–	–	–
Corporate and other unallocated liabilities				54,605
Total liabilities				54,605

Geographical information

For the years ended 31 March 2017 and 2016, the Group's operations and its non-current assets are principally located in the PRC, accordingly no geographical segment information is presented.

Information about major customers

During the year ended 31 March 2017, the Group had transactions with 1 (2016: 2) customer who contributed over 10% of the Group's total net revenue, which is summarised below:

	2017	2016
	HK$'000	*HK$'000*
Customer 1	**–**	8,810
Customer 2	**–**	14,332
Customer 3	**14,037**	574
	14,037	23,716

5. REVENUE

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

	2017	2016
	HK$'000	*HK$'000*
Revenue:		
Income from provision of hospital management services *(note)*	**2,664**	574
Trading of medical equipment	**12,325**	–
Income from provision of healthcare service	**–**	14,332
Commission income earned from provision of B to C consumer service	**–**	8,810
	14,989	23,716

Note: The amount comprises (a) the management fee income from Shuangluan Hospital of approximately HK$1,712,000 (2016: approximately HK$574,000); and the operating right income from Anping Bo'ai Hospital and Dingnan Chinese Medicine Hospital of approximately HK$952,000 (2016: nil) during the year.

Pursuant to the operating right agreements for Anping Bo'ai Hospital and Dingnan Chinese Medicine Hospital (collectively the "Operating Right Agreements") entered into in September 2016 and November 2016 respectively, the Group is entitled to 85% to 90% of revenue generated from Anping Bo'ai Hospital and Dingnang Chinese Medicine Hospital respectively and bears certain costs for both hospitals as specified in the Operating Right Agreements from the date of commencement of grant of operating rights. In this connection, the Group's share of revenue amounted to approximately HK$17,925,000 (2016: nil) and the cost of services borne by the Group amounted to approximately HK$16,973,000 (2016: nil) under the Operating Right Agreements. Having considered the current operation including but not limited to staff employment and procurement of medicine of both hospitals which are currently paid by both hospitals on behalf of the Group, the revenue under the Operating Right Agreements was presented and recognised in the consolidated statement of profit or loss of the Group for the year ended 31 March 2017 based on the consideration received or receivable from the hospitals, representing the Group's share of revenue after deducting the cost of services recharged from both hospitals during the year.

6. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Gain on investment	**–**	379
Exchange gain	**2**	573
Loan interest income	**2,496**	–
Interest income	**31**	1,082
Reversal of other payables	**–**	12,728
Sundry income	**2,670**	38
	5,199	14,800

7. FINANCE COST

	2017	2016
	HK$'000	*HK$'000*
Dividend payable to convertible preference share issued by a subsidiary	**–**	6,696
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**–**	587
	–	7,283

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration	**1,080**	1,100
Depreciation of property, plant and equipment	**191**	111
Loss on disposal of property, plant and equipment	**164**	–
Amortisation of intangible assets	**433**	–
Rental expenses in respect of office premises	**2,458**	495
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**12,235**	10,960
– Contributions to defined contribution retirement plans	**143**	212
Impairment loss on other receivables	**–**	15,149

9. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Subsidiaries established in PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2016: 25%).

	2017	2016
	HK$'000	*HK$'000*
Current tax- PRC		
Provision for the year	**197**	128

10. LOSS PER SHARE

	2017	2016
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:	**(69,277)**	(73,214)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year	**2,852,461**	2,029,250
Effect of convertible bonds	**767,487**	697,551
Weighted average number of ordinary shares for the purpose of calculating loss per share	**3,619,948**	2,726,801

(a) Basic loss per share

For the year ended 31 March 2017, the calculation of basic loss per share amount is based on the net loss for the year of approximately HK$69,277,000 (2016: approximately HK$73,214,000) attributable to the equity holders of the Company, and weighted average of approximately 3,619,948,000 (2016: approximately 2,726,801,000) ordinary shares in issue during the year.

(b) Diluted loss per share

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

11. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**1,691**	562

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

(i) Provision of hospital management service is with credit terms of 90 days.

(ii) Trading of medical equipment business is with credit terms of 90 days.

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**913**	562
1 – 3 month	**252**	–
Over 3 month	**526**	–
	1,691	562

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

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**526**	–
91 – 180 days	**–**	–
Over 180 days	**–**	–
	526	**–**

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

12. SHARE CAPITAL

	Notes	No of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.1 each At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017		100,000,000,000	10,000,000
Issued and fully paid:			
At 1 April 2015		683,289,695	68,329
Subscription of shares	*(i)*	136,657,939	13,666
Issue of shares upon conversion of the convertible bonds	*(ii)*	1,300,000,000	130,000
At 31 March 2016 and 1 April 2016		**2,119,947,634**	**211,995**
Issue of shares upon conversion of the convertible bonds	*(iii)*	**1,100,000,000**	**110,000**
At 31 March 2017		**3,219,947,634**	**321,995**

Notes:

(i) On 13 April 2015, the Company and the two independent subscribers entered into the subscription agreements in relation to subscription of 136,657,939 shares of the Company at a subscription price of HK$0.28 per share. On 22 April 2015, an aggregate of 136,657,939 subscription shares were successfully allotted and issued to subscribers. The net proceeds of approximately HK$38,114,000 were used for general working capital of the Group.

(ii) On 3 June 2014, the Company, Lin & Li Investment Limited (as the subscriber) and Mr. Lin Grant Xiao-Bin (as the guarantor) entered into the subscription agreement to subscribe for the zero coupon convertible note at the initial conversion price of HK$0.15 per share in principal amount of HK$195,000,000. The convertible notes were issued on 8 January 2015 raising net proceeds of approximately HK$194,500,000 which have been used for general working capital and/or settlement of outstanding liabilities of the Group. At the maturity date, any outstanding principal amount of the convertible note will be compulsorily converted into ordinary shares at HK$0.15 per share. All convertible notes were converted into 1,300,000,000 conversion shares on 22 April 2015 and 5 May 2015.

(iii) In November 2015, convertible notes ("CN") with an aggregate principal amount of HK$225,000,000 which can be converted into 1,500,000,000 shares at a conversion price of HK$0.15 per share (subject to adjustments) were issued to Zheng Hua Investment Limited ("Zheng Hua") and Pacas Worldwide Limited ("Pacas"), both Zheng Hua and Pacas are independent third party to the Company. The maturity date of the CN is on the third anniversary of the date of issue. At the maturity date, any outstanding principal amount of the CN will be compulsorily converted into ordinary shares at HK$0.15 per share. The issuance of CB raising net proceeds of HK$224.4 million.

On 21 June 2016 and 23 August 2016, convertible notes with principal amount of HK$30,000,000 and HK$135,000,000 were converted into 200,000,000 and 900,000,000 shares by Pacas and Zheng Hua respectively.

As at 31 March 2017, the Company had outstanding CN of principal amount of approximately HK$60,000,000 which will be mandatorily converted into 400,000,000 shares.

13. DE-CONSOLIDATION OF SUBSIDIARIES

Following the substantial change in the composition of the Board effective from 18 June 2016, despite repeated verbal and written requests (including legal letters), the Board has been unable to contact the legal representatives, directors and managements of the Group's subsidiaries, namely, a) 上海衛昌投資管理諮詢有限公司 (Shanghai Weichang Investment Management & Consulting Co., Limited), 上海醫瑞葆健康信息咨詢有限公司 (Shanghai Imperial Care Health Advocate Limited), and 上海新恒階投資管理諮詢有限公司 (Shanghai New Everstep Investment Management & Consultancy Limited)(together, the "Healthcare Service Segment"); and b) 德豐網絡有限公司 (Harvest Network Limited), World Success Investments Limited (華世投資有限公司), China Clinical Trials Centre Limited, 上海德意爾投資管理諮詢有限公司 (Shanghai De Yi Er Investment Management Consulting Co., Ltd.) and 山東德豐移通科技有限公司 (Shandong Harvest Mobile Communication Technology Company Limited) (together, the "Harvest Network Group") (together with the Healthcare Service Segment is referred to as the "De-consolidated Subsidiaries"). During the preparation of consolidated financial statements for the year ended 31 March 2016, the Directors had been unable to access and obtain the complete set of books and records together with the supporting documents of the De-consolidated Subsidiaries for the period from 1 April 2015 to 31 March 2016 due to the non-cooperation of the management and accounting personnel of the De-consolidated Subsidiaries.

The Group had consolidated the assets and liabilities of the De-consolidated Subsidiaries up to 30 September 2015 and their financial performance for the period from 1 April 2015 to 30 September 2015 based on unaudited management information received. However, in the absence of complete set of books and records and the non-cooperation of the management and accounting personnel of the De-consolidated Subsidiaries, the Directors considered that the Group had lost control over the De-consolidated Subsidiaries and had de-consolidated their financial performance, assets and liabilities from the consolidated financial statements of the Group on 1 October 2015 accordingly.

Details of the aggregate net assets of the above-mentioned De-consolidated Subsidiaries are set out below.

	Healthcare Service Segment HK$'000	Harvest Network Group HK$'000	Total HK$'000
Property, plant and equipment	3	5	8
Trade receivables	16,304	70,587	86,891
Prepayment, deposit and other receivables	9,748	55,703	65,451
Restricted bank balances	–	11,757	11,757
Cash and bank balances	1,862	8	1,870
Amount due (to)/from group companies	(13,393)	1,429	(11,964)
Trade payables	(8,987)	–	(8,987)
Accruals and other payables	(3,349)	(8,739)	(12,088)
Amount due to directors	(2,420)	–	(2,420)
Tax payable	(3,035)	(214)	(3,249)
Dividend payables	–	(92,845)	(92,845)
Net assets/(liabilities) in de-consolidated subsidiaries	(3,267)	37,691	34,424
Impairment losses on investments in de-consolidated subsidiaries and amounts due from the de-consolidated subsidiaries	14,299	12,544	26,843
Translation reserve	(5,896)	(16,184)	(22,080)
Non-controlling interests	(1,305)	(21,913)	(23,218)
Net loss on de-consolidation	3,831	12,138	15,969

14. EVENTS AFTER THE REPORTING PERIOD

1. On 10 May 2017, the Company and two independent subscribers entered into the subscription agreements (as supplemented on 31 May 2017) in relation to subscription of 420,000,000 shares of the Company at a subscription price of HK$0.17 per share, raising net proceeds of approximately HK$71,300,000. On 5 June 2017, an aggregate of 420,000,000 subscription shares were successfully allotted and issued to subscribers.

2. On 19 May 2017, the Company granted 50,000,000 share options with subscription price of HK$0.18 per share entitling the holders thereof to subscribe for a total of 50,000,000 shares of the Company.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the report from the independent auditors, Elite Partners CPA Limited, on the Group's annual audited financial statements for the year ended 31 March 2017.

"DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances, corresponding figures and comparative financial statements

The auditors' report dated 3 April 2017 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 March 2016 was disclaimed as a result of scope limitation (i) de-consolidation of the De-consolidated Subsidiaries during the year ended 31 March 2016; (ii) lack of supporting documents for certain transactions entered into during the year ended 31 March 2016; (iii) no sufficient appropriate audit evidence for the deposit for the possible acquisition and its recoverability; (iv) lack of supporting documents for dividend payable on redeemable convertible cumulative preference shares; (v) no sufficient appropriate audit evidence and explanations for contingent liabilities and commitment; (vi) no sufficient appropriate audit evidence and explanations for events after the reporting period; and (vii) no sufficient appropriate audit evidence and explanations for related parties transactions. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 March 2016 and 2017 and its results for the years ended 31 March 2016 and 2017, and the presentation and disclosure thereof in the consolidated financial statements.

As disclosed in note 13, certain subsidiaries of the Group were deconsolidated in prior years due to the change in the Board composition in prior year. Due to circumstances that the consequential effect of the deconsolidated subsidiaries was qualified in prior year and such limitation of audit scope was still unresolved, the Group therefore did not have adequate information as to whether any contingent liabilities, related parties transaction and events after the reporting period should be accounted for and disclosed in the consolidated financial statements of the Group for the year ended 31 March 2017.

We were unable to obtain sufficient appropriate audit evidence regarding contingent liabilities, related parties transaction and events after the reporting period and there were no alternative audit procedures to satisfy ourselves as to whether the contingent liabilities, related parties transaction and events after the reporting period were free from material misstatement.

2. Transactions of the Group during the year ended 31 March 2017

Following the substantial change in the composition of the board of the Company with effective from 18 June 2016 as disclosed in note 2, the Directors were unable to locate the supporting documents for (i) certain transactions for the year ended 31 March 2017 and (ii) a bank account held by a subsidiary of the Group ("Transactions"). For the purpose of preparing the consolidated financial statements, the Transactions were charged/(credited) to profit or loss for the year ended 31 March 2017 and summarized below:

Transactions included in the consolidated statement of profit or loss

	HK$'000
Other income	2,670
Administrative expenses	13,155

Due to the lack of supporting documents of the Transactions, we were unable to obtain sufficient appropriate audit evidence and explanation to the above transactions included in the consolidated financial statements of the Group and the resulting movement in the reserves. We were unable to obtain sufficient appropriate audit evidence regarding the Transactions and bank balances because (i) we were unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence or occurrence, valuation, ownership, classification and disclosures of the Transactions undertaken by the Group; (ii) we were unable to carry out effective confirmation procedure in relation to certain bank balances for the purpose of our audit and no alternative audit procedures that we could perform to satisfy ourselves as to whether certain bank balances were free from material misstatement; and (iii) we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the Group. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 31 March 2017 and the financial performance and cash flows of the Group for the year ended 31 March 2017 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions.

3. Deposit for possible acquisition

Included in the Group's prepayment, deposits and other receivables as at 31 March 2017 was an earnest money paid for the possible acquisition with a total amount of approximately HK$10,000,000 (the "Earnest Money").

As disclosed in the announcement of the Company dated 22 January 2016, the Company entered a framework agreement (the "Framework Agreement") for the possible acquisition on 30 April 2015. Pursuant to the Framework Agreement, the Company has paid the Earnest Money to the procurers under the Framework Agreement, which was intended to be applied to set off part of the cash consideration of the possible acquisition if the formal agreement was concluded. According to the terms of the Framework Agreement, in the event that the formal agreement is not concluded due to reasons caused by the procurers or the vendors, the Earnest Money shall be refunded to the Company and the procurers shall pay an additional compensation of HK$10,000,000 to the Company. In case the formal agreement is not concluded due to reasons caused by the purchaser or the Company, the Earnest Money shall be forfeited. If the formal agreement is not concluded due to reasons caused by other third parties, the Earnest Money shall be refunded to the Company. On 31 December 2015, the Framework Agreement lapsed. The Company has been in negotiation with the vendors and the procurers for a mutually acceptable settlement for the Earnest Money. Up to the date of the approval of the consolidated financial statement, no conclusion on the settlement of the Earnest Money has been reached by the parties to the Framework Agreement yet.

We were unable to obtain sufficient appropriate audit evidence regarding the Earnest Money because: (i) we were unable to carry out effective confirmation procedures in relation to the Earnest Money for the purpose of our audit; (ii) there was inadequate documentary evidence available for us to satisfy ourselves as to the recoverability of the Earnest Money was appropriate; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Earnest Money were free from material misstatement. Any adjustments found to be necessary would have an effect on the Group's net position as at 31 March 2017 and consequently, the net loss and cash flows of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

4. **Dividend payable on redeemable convertible cumulative preference shares**

Included in other payables and accrued expenses was a dividend payable on redeemable convertible cumulative preference shares (the "Dividend Payable") of approximately HK$30,894,000. As disclosed in note 14 to the Company's interim report dated 30 November 2015, the Company issued a promissory note in the principal amount of US$4,000,000 (equivalent to approximately HK$30,894,000) to settle the balance of the Dividend Payable (the "Promissory Note"). However, following the substantial change in the composition of the Board effective from 18 June 2016, the Directors were unable to locate and verify the supporting documents for the issuance of the Promissory Note as well as the settlement of the Dividend Payable. Accordingly, the Company reclassified the Promissory Note as the Dividend Payable (the "Re-classification"). As at 31 March 2017, the Company did not recognise any liability in respect of the Promissory Note.

Due to the (i) lack of relevant documentation of the issuance of the Promissory Note, we were unable to validate the existence and validity of the Promissory Note and (ii) justify whether the Re-classification are properly accounted for.

No alternative audit procedures in relation to the Dividend Payable could be performed to satisfy ourselves as to whether the accuracy, classification and disclosures of Dividend Payable as at 31 March 2017 were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's net financial position as at 31 March 2017 and the financial performance and cash flows of the Group for the year ended 31 March 2017, and the related disclosures thereof in the consolidated financial statements.

5. **Litigation**

As disclosed in note 2, the former Directors and legal representative of Beijing Zhongwei KangHong Hospital Management Co Ltd. (the "Beijing Zhongwei"), an indirect wholly owned subsidiary of the Group, have not handed over all the licenses, stamps and books and records of Beijing Zhongwei to the Existing Management, accordingly the Group was unable to obtain appropriate evidence and explanations as to whether (i) any contingent liabilities and commitments committed by the Group were properly recorded and accounted for; and (ii) any related party disclosures and events after the reporting period were properly recorded, accounted for and disclosed in the consolidated financial statements of the Group for the year ended 31 March 2017.

We were unable to perform appropriate audit procedures to satisfy ourselves as to whether (i) the contingent liabilities and commitments; (ii) related parties transactions; and (iii) event after the reporting period for the year ended 31 March 2017 were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the Group's net assets as at 31 March 2017 and consequently the financial performance and cash flows of the Group for the year ended 31 March 2017, and the related disclosures thereof in the consolidated financial statements.

Had we been able to satisfy ourselves in respect of the matters mentioned in the items (1) to (5) above, adjustments might have been found to be necessary which would have had a consequential impact on the net assets of the Group as at 31 March 2017 and its net loss for the year ended 31 March 2017 and/or the comparative information, and may have resulted in additional information being disclosed in the financial statements as to the nature of these transactions and any material non-adjusting post balance sheet events."

MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN BASIS

We draw attention to note 2 which indicates that the Group incurred a consolidated net loss of approximately HK$69,277,000 for the year ended 31 March 2017 and had net current liabilities of HK$1,260,000 as at 31 March 2017. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not disclaimed on this matter."

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2017, the Group reported a revenue of approximately HK$15 million, representing a decrease of 37% as compared to HK$23.7 million for the previous financial year. The revenue comprises (a) trading income of medical equipment of HK$12.3 million (2016: nil); (b) management fee income from management of Shuangluan Hospital of approximately HK$1.7 million (2016: HK$0.5 million); and (c) operating right income from management of Anping Bo'ai Hospital and Dingnan Chinese Medicine Hospital of approximately HK$1 million (2016: nil), representing the Group's share of revenue of approximately HK$17.9 million (2016: nil) after deducting the cost of services recharged by the two hospitals of approximately HK$16.9 million (2016: nil), during the year.

Pursuant to the operating right agreements for Anping Bo'ai Hospital and Dingnan Chinese Medicine Hospital (collectively the "Operating Right Agreements") entered into in September 2016 and November 2016 respectively as detailed below, the Group is entitled 85% to 90% of revenue generated from Anping Bo'ai Hospital and Dingnan Chinese Medicine Hospital respectively and bears certain costs for both hospitals as specified in the Operating Right Agreements from the date of commencement of grant of operating rights. Having considered the current operation including but not limited to staff employment and procurement of medicine of both hospitals which are currently paid by both hospitals on behalf of the Group, the revenue under the Operating Right Agreements was presented and recognised in the consolidated statement of profit or loss of the Group for the year ended 31 March 2017 based on the consideration received or receivable from the hospitals, representing the Group's share of revenue after deducting the cost of services recharged by hospitals during the year. The presentation of revenue on the aforesaid net basis is made pursuant to relevant accounting standard and the directors of the Company consider that the Group's operations and its entitlement to the hospitals' revenue and other rights under the Operating Right Agreements would not be affected.

The Group's loss attributable to shareholders for the year was approximately HK$69.3 million as compared to a net loss of approximately HK$73.2 million for the previous financial year. The decrease in revenue was mainly due to the de-consolidation of certain subsidiaries on 1 October 2015 as detailed in the annual report of the Company for the year ended 31 March 2016. The decrease in net loss was mainly attributable to no impairment loss on other receivables and net loss recognised on de-consolidation of subsidiaries recognised offsetting decrease in turnover as stated above and significant increase in legal and professional fees and related expenses incurred in relation to the legal proceedings and disputes among shareholders and previous management of the Group, various litigations of the Group and fees for resumption of trading of shares of the Company during the year. Basic loss per share for the year was HK1.91 cents (2016: HK2.69 cents).

REVIEW OF BUSINESS OPERATION

For the year ended 31 March 2017, the existing business segments of the Group comprise (a) hospital management business; and (b) medical equipment trading business.

Shuangluan Hospital

The Group took over the operation 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 September 2015 and introduced a new management model to the hospital. Through the introduction of information technology system, the reorganization of management structure, and the implementation of full cost performance appraisal and meticulous management, the hospital has achieved significant improvement during the year. For the year ended 31 March 2017, the Group is entitled management fee equivalent to 3% of the revenue of Shuangluan Hospital.

Shuangluan Hospital was relocated to a new site on 28 August 2016. The new hospital covers an area of 46 acres, with completed construction area of 37,000 square meters and 400 beds (which has been almost fully occupied) in the first phase. As at the date of this announcement, the second phase construction of "Psychiatry Building" has been completed and it is expected that the ''Psychiatry Building'' will be in operation this year. With the expansion of hospital scale, the revenue of the hospital is expected to grow exponentially and therefore the Group can also capture satisfactory revenue from expansion of the hospital.

Anping Bo'ai Hospital

On 12 September 2016, the Zhongwei Health Industires (Shenzhen) Co., Ltd.* (the "Management Company"), Mr. Sang Shiwen ("Mr. Sang"), Mr. Han Jianbin ("Mr. Han") and 安平博愛醫院 ("Anping Bo'ai Hospital") entered into an agreement as supplemented on 29 September 2016 (the "Anping Agreement"), pursuant to which Mr. Sang, Mr. Han and Mr. Han have agreed to grant the Company an operation right to manage and operate Anping Bo'ai Hospital through the Management Company for a term of 20 years commencing on 1 October 2016 at a consideration of RMB15 million (equivalent to approximately HK$17.4 million). In addition, the Company has agreed to provide Anping Bo'ai Hospital with a loan in an aggregate principal amount of no more than RMB10 million (equivalent to approximately HK$11.6 million) to improve medical and health care conditions and expand operation. In addition, the Management Company and Mr. Sang entered into an assets transfer agreement in relation to acquisition of properties at a consideration of RMB15 million (equivalent to HK$17.4 million).

The Management Company is entitled to a monthly operation and management income in an amount equal to 90% of the total monthly revenue generated from the business operation of Anping Bo'ai Hospital. Meanwhile, the Management Company bears all expenses of Anping Bo'ai Hospital during the term of management and operation of Anping Bo'ai Hospital excluding (i) depreciation, repair and maintenance expenses and equipment upgrade and renovation cost to be incurred from the existing equipment available as stipulated in the Anping Agreement; (ii) rental expenses; (iii) finance cost; and (iv) any legal and professional fees arising from legal proceeding against Anping Bo'ai Hospital. The completion of grant of the operation right to the Group to operate Anping Bo'ai Hospital took place on 29 September 2016. The acquisition of properties was not completed as at date of this announcement. Further details of the transactions were disclosed in the announcements of the Company dated 12 September 2016 and 29 September 2016.

Dingnang Chinese Medicine Hospital

On 4 November 2016, the Management Company, Mr. Zheng Ruiyuan and Dingnang Chinese Medicine Hospital* (定南縣中醫院) entered into an agreement, pursuant to which Dingnang Chinese Medicine Hospital conditionally agreed to grant and the Management Company conditionally agreed to accept an operation right to manage and operate Dingnang Chinese Medicine Hospital for a term of 15 years commencing on 1 November 2016. The Management Company has paid RMB3,000,000 (equivalent to approximately HK$3,420,000) to acquire equipment for Dingnang Chinese Medicine Hospital operation.

The Management Company is entitled to a monthly operation and management income in an amount equal to 85% of the total monthly revenue generated from the business operation of Dingnang Chinese Medicine Hospital. Meanwhile, the Management Company bears all expenses of Dingnang Chinese Medicine Hospital during the terms of management and operation of Dingnang Chinese Medicine Hospital but excluding (i) depreciation incurred from the existing equipment; and (ii) interest expenses arising from loan(s) obtained by Dingnang Chinese Medicine Hospital prior to the date of the operating right agreement. Further details of the above were disclosed in the announcement of the Company dated 7 November 2016.

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

On 30 March 2017, the Company and Miss Hao Mengmeng entered into the agreement in relation to granting of the rights to operate the Red Cross Hospital of Luanping County* (灤平縣紅十字醫院) and the Hong Fu Eldercare and Nursing Home of Luanping County* (灤平縣鴻福養老護理院) to the Company for a term of 30 years from April 2017 to March 2047. Further details of the above were disclosed in the announcement of the Company dated 31 March 2017. The contribution from this operating right has not been reflected during the year.

Hospital management model

The Group adopts the hospital management model designed by and named after Mr. Wang Jingming, the executive director of the Company, to manage the hospitals under the hospital management agreements. The model, known as the "Jingming Model" (the "Model"), mainly focuses on (i) improving/installing advanced information system particularly for management of patient records and billing history, outpatient registrations and inpatient admissions; (ii) enhancing quality and broadening variety of hospital services; and (iii) incentivising hospital employees to improve overall efficiency. The principal roles of the Group under the hospital management agreements are as follows:

(a) Participate in the management team: Upon taking over each hospital under the hospital management agreements, a new management committee with majority of members being appointed by the Group would be set up as the decision making body for the overall strategy and direction of each hospital. The Group would appoint new president and financial controller for each hospital to oversee hospital operations and implement the Model at each hospital. Save for the above changes, the daily operations of the hospital would principally be managed by the existing senior management team of the relevant hospital and additional management personnel would be hired if and when necessary. The Group would also provide training to the existing senior management team of each hospital to facilitate the implementation of the Model.

(b) Upgrade information system: Under the Model, the hospitals managed by the Group would revamp their information system with the support of an information technology company appointed by the Group to streamline the operational efficiency of hospitals and enhance management of the medical records and treatment history of the patients. The information system allows for patient information to be shared efficiently across all departments within the hospital and ensure efficient communication between staff and patients. The Group, with the assistance of the information technology company, would monitor the installation, migration from existing system and ongoing operations of the new information system.

(c) Provide funding support: Depending on the needs of each hospital, the Group may also provide loans to fund their capital expenditures required for system upgrade, purchase of equipment as well as other hospital improvement or expansion works. With capital support of the Group, the medical equipment and infrastructure of the hospitals can be upgraded to provide better service and attract more patients.

(d) Enhance quality of services: The Group maintains an alliance of over 20 experienced doctors and medical practitioners and specialists in different medical fields. The Group links up the alliance with the hospitals under the Group's management. Doctors included in the alliance are engaged to station in the hospital or provide special medical advices to patients on a case by case basis. This arrangement greatly enhances the quality and variety of services that may be provided by the hospitals at a cost efficient model.

(e) Design incentive scheme: The hospitals adopt key performance indicators ("KPIs") under the Model such as the number of inpatient and outpatient visits, average number of inpatient bed-days, total revenue of the hospital and ward utilisation rate (i.e. the percentage of beds in operation occupied by the inpatients) to evaluate staff performance and introduce appropriate incentive-based remuneration with an aim to motivating the employees. With the KPIs assessment, doctors and nurse officers are motivated by increasing the utilisation rate of beds in their respective wards and improving hospital services quality, thereby increasing revenue of the hospitals. The Group would evaluate the existing performance of each hospital, identify areas for improvement and assist to design appropriate KPIs and incentive based remuneration policies for each hospital.

Key operating data of hospitals

The following table sets forth the key operational information of the hospitals under the management of the Group during the year:

	Shuangluan Hospital (From 1 April 2016 to 31 March 2017)	**Anping Bo'ai Hospital** *(note a)* (From 1 October 2016 to 31 March 2017)	**Dingnang Chinese Medicine Hospital** *(note b)* (From 1 November 2016 to 31 March 2017)
Inpatient healthcare services			
Number of beds (as at 31 March 2017)	400	102	120
Number of beds in operation (as at 31 March 2017)	388	36	53
Inpatient visits	4,766	1,690	878
Inpatient bed-days	122,515	10,008	6,572
ALOS (days) *(note c)*	25.7	5.92	7.5
Average spending per visit (RMB)	6,592.57	2,424.98	4,157.54
Outpatient healthcare services			
Outpatient visits	86,378	25,522	49,794
Average spending per visit (RMB)	191.43	117.40	144.03
Staff (as at 31 March 2017)			
Doctors	125	34	48
Other medical staff	158	48	77
Other staff	83	19	32
Total	366	101	157

Note a: The Group obtained the operating right of the Anping Bo'ai Hospital in October 2016.

Note b: The Group obtained the operating right of the Dingnang Chinese Medicine Hospital in November 2016.

Note c: It represents the average number of days an inpatient stays at hospitals.

Medical equipment trading

The Group has also carried out medical equipment trading business for hospitals through a trading company with medical equipment procurement and supply licenses in Beijing during the year. This business facilitates the sourcing and supplying of high quality equipment to the hospitals managed by the Group, which in turn streamlines the hospital operations, maintains quality of services provided by the Group, and improves performance of the hospital management business accordingly. It is expected that this business continues to bring in stable revenue to the Group.

Investment in a limited partnership fund

In order to grasp latest developments in the industry and capture more investment opportunities, the Group entered into the limited partnership agreement to invest RMB20,000,000 (equivalent to approximately HK$22,400,000) in a healthcare industry investment fund, namely Gongqingcheng Xinhenfu Medical Investment Management Partnership (Limited Partnership) (共青城鑫恒富醫療投資管理合伙企業(有限合伙)), as a limited partner of the fund in March 2017.

Board reorganization

In 2016, the Company received request of certain shareholders ("Requisition Notice") to convene a special general meeting to reorganize the Board. The special general meeting was scheduled to be held in Hong Kong on 10 March 2016, but it was cancelled as the Company filed with the Supreme Court of Bermuda for an interlocutory injunction against those shareholders to restrain the convening or the holding of the special general meeting pursuant to the Requisition Notice with a period of 7 days (details are set out in to the announcements of the Company dated 31 December 2015 and 11 March 2016).

The Company received request of those requisition shareholders again to convene a special general meeting to remove all the existing Directors and appoint new Directors during the Period. The special general meeting held on 5 June 2016 was considered adjourned as ruled by the High Court of Hong Kong (the "Court"). It was reconvened on 18 June 2016 and shareholder resolutions were passed such that, except for Mr. Chung Ho ("Mr. Chung") and Mr. Wang Jingming, the other eight Directors, namely Mr. Jia Hong Sheng, Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Zhao Kai, Mr. Mu Xiang Ming ("Mr. Mu"), Dr. Yan Shi Yun, Mr. Jiang Bo and Mr. Zhao Hua, were all removed, and 20 new Directors were appointed with immediate effect (please refer to the announcement of the Company dated 19 June 2016).

Deconsolidated subsidiaries

Following the above substantial change in the composition of the Board effective from 18 June 2016, the Group could not access and obtain the complete set of books and records together with the supporting documents of certain subsidiaries due to non-cooperation of the previous management and accounting personnel of these companies. Such subsidiaries have been deconsolidated from the consolidated financial statements of the Group on 1 October 2015. Nevertheless, the Group is still taking actions to regain books and records of these deconsolidated subsidiaries as disclosed in the annual report for the year ended 31 March 2016. Further announcement(s) will be made by the Company as and when appropriate to keep the shareholders informed of the material developments in the above matters.

FUTURE PROSPECT

Faced with enormous medical health demand brought by significant urbanization and aging population in the PRC, as well as the overall inadequate and structural imbalance of medical supplies, the PRC government has launched a new series of healthcare reform, including the reform of public hospitals, public-private partnership hospital management, government procurement services, establishment of grading clinics and a series of major measures, creating tremendous business opportunities for our future. With the business potential in healthcare industry in the PRC, the Group is actively seeking other business opportunities to expand the medical related operation of the Group and has made substantial progress as stated above.

The Group will carry out financing services for hospitals through a finance leasing company in the Shenzhen Qianhai Free Trade Area. With completion of placing exercises raising net proceeds of HK$71.3 million in June 2017, part of proceeds will be applied to the operation of the finance lease company. The main business scope and vision of the finance leasing business will be provision of finance leasing and sale and leaseback service of medical equipment and provision of liquidity services to hospitals. It is expected that this new business will also bring in stable revenue to the Group.

The Group is also in progress of setting up a central medicine procurement system for supplying medicines to all hospitals managed by the Group. It is expected that such system would reduce the cost of medicines incurred by hospitals through centralized and bulk purchases from suppliers and therefore further improves the performance of the hospital management business.

In light of the successful experience of the Group in managing hospitals, we have laid a foundation to carry out cooperation with public hospitals and launch primary healthcare service system. In the future, the Group will fully utilise the competitive edge of management model and human resources to cooperate with public hospitals through ways of merger and acquisition and/or reconstruction, and establish regional medical care service system and central medicine procurement system together. Under the leadership of the new Board, the Group has entered into a rapid and healthy development track, and gradually forming a hospital chain group in the next few years to create maximum value for the shareholders.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Strategic cooperation memorandum

On 21 December 2016, the Company and the International Eco-tech Cooperation Committee of the China National Committee for Pacific Economic Cooperation entered into a strategic cooperation memorandum in relation to the possible cooperation in Chinese healthcare business projects. No formal agreement has been made as at date of this announcement. Further details of the memorandum were disclosed in the announcement of the Company dated 22 December 2016.

Save as disclosed above and certain transactions stated in section headed "Review of business operation", there were no other significant investments, material acquisitions and disposals during the year.

FUND RAISING ACTIVITY

The Company has no fund raising activity during the year.

Subsequent to year end, on 10 May 2017, the Company and two independent subscribers entered into the subscription agreements (as supplemented on 31 May 2017) in relation to subscription of 420,000,000 shares of the Company at a subscription price of HK$0.17 per share. On 5 June 2017, an aggregate of 420,000,000 subscription shares were successfully allotted and issued to subscribers. The net proceeds of approximately HK$71,300,000, representing a net subscription price per subscription share of approximately HK$0.169, will be used as to (i) HK$40 million for the finance leasing business; (ii) approximately HK$17 million for staff salaries; (iii) approximately HK$4.3 million for office rental; and (iv) approximately HK$10 million for future investments if opportunity arises. As at date of this announcement, the proceeds were not yet utilized. Details of the subscription were set out in the announcements of the Company dated 10 May 2017, 24 May 2017, 31 May 2017 and 5 June 2017.

CONVERSION OF CONVERTIBLE NOTES AND UPDATE ON USE OF PROCEEDS

Pursuant to the subscription agreements dated 8 April 2014, the first supplemental agreements dated 30 September 2014, the second supplemental agreements dated 30 January 2015, the third supplemental agreements dated 30 April 2015, the fourth supplemental agreements dated 30 June 2015, the fifth supplemental agreements dated 28 August 2015, the sixth supplemental agreements dated 18 September 2015 and the seventh supplemental agreements dated 13 October 2015 ("Subscription Agreements") entered into between the Company and two independent subscribers (namely Zheng Hua Investment Limited ("Zheng Hua") and Pacas Worldwide Limited ("Pacas")), the Company has conditionally agreed to issue, and the subscribers have conditionally agreed to subscribe for, the convertible notes in an aggregate principal amount of HK$225 million which are convertible into new shares of the Company at the initial conversion price of HK$0.15 per share (subject to adjustments).

The Company has further agreed to grant the options to the subscribers, pursuant to which the subscribers have the right to request the Company to issue the option convertible notes with a maximum aggregate principal amount of HK$225 million to them. On 13 October 2015, all parties to the subscription agreements agreed to cancel the above grant of options given that the Company's immediate funding need had been reduced.

The subscription agreements were approved by the shareholders of the Company on 3 November 2015 and convertible notes with an aggregate principal amount of HK$225,000,000 which are convertible into 1,500,000,000 shares at a conversion price of HK$0.15 per share were issued in November 2015. Details of the above were set out in the announcements of the Company dated 8 April 2014, 30 September 2014, 15 January 2015, 30 January 2015, 15 April 2015, 30 April 2015, 30 June 2015, 28 August 2015, 15 September 2015, 18 September 2015 and 30 September 2015 and circular of the Company dated 19 October 2015.

The net proceeds from the subscription (after deducting all related expenses) were HK$224.4 million (representing the net conversion price for each conversion share of HK$0.15) which were intended to be used as to (i) approximately HK$43.8 million for the provision of loans to Shuangluan Hospital; (ii) approximately HK$125.0 million for the provision of loans to Sheng You Hospital; (iii) approximately HK$25.0 million for general working capital of the Group; and (iv) approximately HK$30.6 million for the possible acquisition of five grade-one hospitals in Tianjin, the PRC.

Convertible notes with principal amount of HK$30,000,000 and HK$135,000,000 were converted into 200,000,000 shares and 900,000,000 shares on 21 June 2016 and 23 August 2016 by holders thereof respectively. As at the date of this announcement, convertible notes with principal amount of HK$60,000,000 which can be converted into 400,000,000 shares are outstanding.

From the date of issue of convertible notes to the date of this announcement, (i) approximately HK$40.5 million (equivalent to RMB35 million) has been used for the provision of loans to Shuangluan Hospital; (ii) approximately HK$17.4 million (equivalent to RMB15 million) has been used for payment for grant of operating right of Anping Bo'ai Hospital; (iii) approximately HK$2.3 million (equivalent to RMB2 million) has been used for provision of loan to Anping Bo'ai Hospital; (iv) approximately HK$17.4 million (equivalent to RMB15 million) has been used for payment of acquisition of properties of Anping Bo'ai Hospital; (v) approximately HK$22.6 million (equivalent to RMB20 million) has been used to invest in a fund; (vi) approximately HK$3.4 million (equivalent to RMB3 million) has been paid under the operating right agreement for Dingnan Chinese Medicine Hospital; and (vii) approximately HK$138.2 million has been used for general working capital of the Group including (1) legal and professional fees of over HK$30 million mainly arising from disputes among shareholders and previous management of the Group, various litigations of the Group and fees for resumption of trading of shares of the Company); and (2) expenses for the Group's operation mainly comprising of payment for staff and directors salaries, rental expenses and other operating expenses.

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 2017, the Group's cash and cash equivalents amounted to approximately HK$7.1 million (2016: HK$205 million).

As at 31 March 2017, the current assets and net current liabilities of the Group are approximately HK$58.9 million (2016: HK$216.8 million) and HK$1.3 million (2016: net current assets of HK$162.2 million) respectively, representing a current ratio of 0.98 (2016: 3.97).

As at 31 March 2017, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4,000,000 (equivalent to approximately HK$30.9 million), which is in dispute as disclosed in the section headed "Material litigations" below, was included in other payables and accrued expenses.

As at 31 March 2017, the gearing ratio was 0.28 (2016: 0.17), calculated by dividing dividend payable on redeemable convertible cumulative preference shares (representing debt owed by the Company) by shareholders' equity of HK$110 million (2016: HK$180.4 million).

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

MATERIAL LITIGATIONS

The Group had the following material litigations during the year and up to date of this announcement:

1. On 11 December 2015, the Company issued a writ of summons against each of Mr. Chung (a Director), Zheng Hua and Pacas (both are holders of convertible notes) in the Court claiming for, among others, declarations in relation to the subscription agreements (the "Subscription Agreements") dated 8 April 2014 for subscription of convertible notes which were procured by Mr. Chung in breach of his fiduciary duties owed to the Company, and that such breach was known to each of Zheng Hua and Pacas. Accordingly, the Subscription Agreements and the related transaction(s) including the convertible note(s) should be voidable. The litigation was discontinued by mutual consent of the parties to the actions on 7 November 2016. Further details of the above were disclosed in the announcements of the Company dated 11 December 2015 and 30 March 2017.

2. On 14 December 2015, Pacas issued a writ of summons against the Company in the Court claiming for, among others, an order that the Company do allot and issue forthwith to Pacas shares in the share capital of the Company representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas by the Company pursuant to the Subscription Agreement entered into between Pacas and the Company on 8 April 2014 (as subsequently amended); and alternatively, damages to be assessed. On 18 May 2016, the Court of First Instance of the Court granted a summary judgment against the Company (the "Judgment"), under which the Company was required to allot and issue to Pacas shares in the share capital of the Company representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas by the Company.

   On 17 June 2016, the Court of First Instance of the Court ordered, among other matters, that the Company shall allot and issue to Pacas shares in the share capital of the Company representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas by the Company by 4:00 p.m. on 22 June 2016 pursuant to the Judgment. On 21 June 2016, the Company allotted and issued 200,000,000 shares, representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas. Further details of the above were disclosed in the announcements of the Company dated 16 December 2015, 24 May 2016, 17 June 2016 and 23 June 2016.

3. On 23 December 2015, Zheng Hua issued a writ of summons against the Company in the Court claiming, among others, for an order that the Company do allot and issue forthwith to Zheng Hua shares in the share capital of the Company representing the amount of the conversion shares of the HK$135,000,000 of the principal amount of the HK$195,000,000 convertible notes issued to Zheng Hua by the Company pursuant to the Subscription Agreement entered into between Zheng Hua and the Company on 8 April 2014 (as subsequently amended); and alternatively, damages to be assessed. Further details of the above were disclosed in the announcement of the Company dated 27 December 2015. It was ordered by the Court on 2 June 2016 among other things that unless by 4:00 p.m. on 30 June 2016, the Company do file and serve its defence and/or counterclaim (if any), the Company be debarred from doing so and Zheng Hua as plaintiff be at liberty to apply for judgment to be entered against the Company with costs. Subsequent to this order, no further action has been taken by either party to the action to date. On 23 August 2016, the Company allotted and issued 900,000,000 shares upon conversion of convertible notes of principal of HK$135,000,000 by Zheng Hua.

4. On 25 February 2016, the Company issued a writ of summons against each of Lin & Li Investment Limited ("LL"), Speedy Brilliant Investments Limited ("Speedy"), Mr. Ying Wei and Mr. Chung in the Court claiming for, among other reliefs: (a) a declaration that the transfer of convertible notes issued in January 2015 to Speedy and Mr. Ying Wei (the "LL Convertible Notes Transfers") were null and void; alternatively, an order that the LL Convertible Notes Transfers from LL to Speedy and Mr. Ying Wei be rescinded and set aside; (b) a declaration that the purported issue and allotment of shares to Speedy and Mr. Ying Wei was null and void; further or alternatively, an order that the purported issue and allotment of shares to Speedy and Mr. Ying Wei be rescinded and set aside; (c) an order that LL, Speedy, Mr. Ying Wei and Mr. Chung take all necessary steps including the delivery to the Company of any such share certificate(s) in the Company for cancellation; and (d) damages and/or equitable compensation. The litigation was discontinued by mutual consent of the parties to the actions on 21 September 2016. Further details of the above were disclosed in the announcements of the Company dated 26 February 2016 and 3 November 2016.

5. On 26 February 2016, the Company issued a writ of summons against Mr. Chung in the Court claiming for, among other reliefs: (a) an order that Mr. Chung do deliver up and return documents and records to the Company, including but without limitation to the original of the agreement dated 20 September 2015; (b) an order that Mr. Chung is to indemnify the Company for any loss and damage that may arise as a result of Mr. Chung's failure to return to the Company any of the documents and records; and (c) damages and/or equitable compensation. The litigation was discontinued by mutual consent of the parties to the actions on 7 October 2016. Further details of the above were disclosed in the announcements of the Company dated 14 January 2016, 26 February 2016 and 3 November 2016.

6. On 6 April 2016, Speedy served a petition (the "Petition") against the Company and Mr. Jia Hong Sheng ("Mr. Jia"), former chairman of the Board, in relation to special general meeting of the Company convened by Speedy. In relation to the Petition, Speedy also issued an inter parte writ of summons on 6 April 2016 against the Company and Mr. Jia, seeking interim relief that, among other matters, the Company be restrained, whether by their directors, servants, agents or otherwise howsoever from obstructing preventing or otherwise interfering with the requisitioning by Speedy of the special general meeting of the Company or obstructing or otherwise interfering with the conduct of any special general meeting of the Company which may be convened by Speedy. Further details of the above were disclosed in the announcement of the Company dated 8 April 2016. Upon the joint application of the parties to the action on 20 September 2016, scheduled court hearings were vacated. There has been no further action from the action parties since the hearings were vacated.

7. The Board noted an unauthorized remittance of approximately HK$4.5 million from the bank account of World Success Investments Limited ("World Success"), a de-consolidated subsidiary of the Company, to a personal bank account of Mr. Mu, a former Director, on 8 June 2016. Such remittance was instructed and operated by another former Director, namely Dr. Li Zhong Yuan. The Company stopped the payment and issued an originating summons against Dr. Li Zhong Yuan in the Court of First Instance of the Court on 21 June 2016 claiming for, among other reliefs, an injunction order to prohibit Dr. Li Zhong Yuan from transacting and/or conducting and/or purporting to transact and/or conduct the business and affairs of World Success including without prejudice to the generality of the foregoing, operating any bank accounts of World Success. On 21 June 2016, the Court of First Instance of the Court ordered that, among other matters, Dr. Li Zhong Yuan be restrained, whether by himself, his servants, agents or otherwise however from transacting and/or conducting and/or purporting to transact and/or conduct the business and affairs of World Success including, without prejudice to the generality of the foregoing, operating any bank accounts of World Success until Friday, 8 July 2016. Details of the above have been set out in the announcement of the Company dated 24 June 2016.

   Upon the application made by the Company by way of summons on 5 July 2016 and various affirmations were filed with the Court over the period from June to October 2016, and upon the Company undertaking to procure CHC Investment Holdings Limited, a wholly-owned subsidiary of the Company, to make an application in the British Virgin Islands for leave to commence derivative action for and on behalf of 德豐網絡有限公司 (Harvest Network Limited) ("Derivative Action") against World Success and without admission of any liability, upon Dr. Li Zhong Yuan undertaking that he would utilize the funds of World Success only in accordance with World Success' ordinary course of business or as authorised by the shareholder(s) of World Success in general meeting, it was by consent order amongst other things on 12 October 2016 that there be leave for payment out of the funds paid into the Court inclusive of any interests to World Success or its nominated solicitors. An application for leave to commence the Derivative Action in the British Virgin Islands by the Company was filed on 2 November 2016 and amended on 15 December 2016 ("Application"). On 17 February 2017, an affidavit exhibiting an affirmation by Dr. Li Zhong Yuan was filed with the court of the British Virgin Islands. By an order of the same court on 2 March 2017, the parties to the action were ordered to make submissions and to list the claim for hearing by prescribed deadlines. The action is still pending as at the date of this announcement.

8. On 6 July 2016, Zhongwei Kanghong Investments Limited ("Zhongwei Kanghong"), an indirect wholly-owned subsidiary of the Company, filed a civil lawsuit ("Civil Lawsuit I") at the People's Court of Dongcheng District Beijing Municipality ("Dongcheng District Court") against Beijing Zhongwei Kanghong Hospital Management Co. Ltd. ("Beijing Zhongwei"), a wholly-owned subsidiary of Zhongwei Kanghong, Mr. Jia (former chairman of the Company), Mr. Zhao Kai (former director of the Company and the legal representative of Beijing Zhongwei), Mr. Wang Jingyan and Ms. Zhang Tiantian (collectively, the "Zhongwei Defendants"). Zhongwei Kanghong claimed for ruling that (i) the Zhongwei Defendants shall hand over the original business license and its copies, license for opening accounts, common seal, stamp for financial affairs, stamp of the legal person and stamp for contract of Beijing Zhongwei to Zhongwei Kanghong; (ii) the Zhongwei Defendants shall hand over the accounting books and records, financial information, original vouchers and related contracts of Beijing Zhongwei from its establishment date, being 25 November 2014, to the date when the handover to Zhongwei Kanghong is actually completed; (iii) the Zhongwei Defendants shall hand over the premise leased by Beijing Zhongwei which is located at Unit 1, 15th Floor, Tower E2, Oriental Plaza, No.1 Dong Chang An Avenue, Dong Cheng District, Beijing to Zhongwei Kanghong; and (iv) the Zhongwei Defendants shall be liable for costs of the Civil Lawsuit I. On 15 August 2016, the Dongcheng District Court informed Zhongwei Kanghong that the Civil Lawsuit I met statutory prosecution conditions and was formally registered. Details of the above were set out in the Company's announcement dated 1 September 2016. On 8 November 2016, the Civil Lawsuit I has been discontinued by the Company.

   On 31 October 2016, an administrative lawsuit (the "Administrative Lawsuit") was filed with the Dongcheng District Court against the Dongcheng District Beijing Municipality Bureau of Commerce and Administrative Management for the revocation of shareholders' resolutions of Beijing Zhongwei passed on 23 May 2016 which approved the removal and appointment of certain directors and supervisor, and the reinstatement of the previous board of directors and legal representative. The Administrative Lawsuit has since been transferred to the court in Beijing Haidian District ("Haidian Court") for processing. Up to the date of this announcement, the Administrative Lawsuit has not been heard and no notices from the Haidian Court have been received.

   On 30 November 2016, Zhongwei Kanghong filed another civil lawsuit ("Civil Lawsuit II") with the Dongcheng District Court against Beijing Zhongwei seeking confirmation on the validity and enforcement of certain shareholders' resolution passed in June 2016 in respect of, among others, change in board and legal representative of Beijing Zhongwei. It is expected that a judgment in respect of the Civil Lawsuit II will be obtained by August 2017.

9. On 31 August 2016, CHC Investment Holdings Limited issued a writ of summons in the Court against each of Dr. Li Zhong Yuan (a former director of the Company), Mr. Zhou Bao Yi (a former director of the Company), Shanghai Huiqu E-commence Company Limited, Harvest Network Limited, World Success, 上海德意爾投資管理諮詢有限公司 (Shanghai De Yi Er Investment Management Consulting Co., Ltd.*) and 上海德豐信息網絡技術有限公司 (Shanghai Harvest Network Technology Co., Ltd.*) in respect of a very substantial disposal of the Company which was completed in November 2011. Further details of the above were disclosed in the announcement of the Company dated 1 September 2016. As at the date of this announcement, there is no judgment in respect of the above lawsuit.

10. On 12 September 2016, the Company has received a 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$4,000,000 (equivalent to approximately HK$30,894,000) (the "Alleged Outstanding Sum"). Such amount has been included in other payables and accrued expenses in consolidated balance sheet as at 31 March 2016. An originating summons (the "Originating Summons") has been issued in the Court by the Company against Li Hong on 27 September 2016. Pursuant to the Originating Summons, the Company is seeking, amongst others, the 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 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$4,000,000 or its equivalent into the Court within 21 days from the date of the hearing; 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 at the hearing, among other things, that (i) Li Hong be restrained from presenting any petition for the winding up the Company based on the Alleged Outstanding Sum; and (ii) the sum of US$4,000,000 or its equivalent paid into the Court be released to the Company. Pursuant to the reasons for judgement 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 Promissory Note was in fact issued by the Company pursuant to a backdoor arrangement made or participated in by Dr. Li for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was Dr. Li's nominee for the purpose of receiving the Promissory Note. As stated in the judgment, it follows that it must at least be open to serious argument that the Promissory Note is not enforceable by Li Hong against the Company, because the issue of the Promissory Note by the Company to Dr. Li's nominee (Li Hong) would involve a breach of fiduciary duty on Dr. 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 and/or an agreement dated 23 November 2012 between the Company and Capital Foresight Limited 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.

11. On 23 September 2016, a writ of summons (the "Writ") has been issued by the Company, Wisdom Profit Investment Limited and China HealthCare Holdings (Hong Kong) Limited against Dr. Li Zhong Yuan, Mr. Zhou Bao Yi and World Success (collectively, the "Transfer Defendants") in the Court. As set out in the Writ, on 8 March 2016, certain bank transfers were made or procured to be made by Dr. Li Zhong Yuan and Mr. Zhou Bao Yi. The Company is of the view that the aforesaid transfers which served no discernable commercial purpose, were not made in the best interests of the Group, were procured by Dr. Li Zhong Yuan and Mr. Zhou Bao Yi in breach of their fiduciary or other duties owed to the Group, and constituted misappropriation of the assets belonging to the Group. Pursuant to the Writ, the Group are seeking, amongst others, various reliefs against the Transfer Defendants declarations that the Transfer Defendants hold the sums received in respect of the transfers. Details of the above have been set out in the announcement of the Company dated 27 September 2016. A defence and counterclaim of Dr. Li Zhong Yuan was filed in the Court on 6 February 2017. An affirmation of Dr. Li Zhong Yuan was filed into the Court on 7 February 2017.

12. On 7 November 2016, a civil lawsuit brought by Shanghai Weichang Investment Management and Consulting Co., Limited ("Shanghai Weichang"), a de-consolidated subsidiary of the Company, against the then existing director and legal representative of Shanghai Weichang requesting for the return of company chop and other corporate properties of Shanghai Weichang has been formally registered with the People's Court of Xuhui District of Shanghai Municipality. The PRC legal adviser of the Company has also been in communication with the then existing director and legal representative of Shanghai Weichang with a view to reaching a settlement or compromise before the court hearing. In early February 2017, the director and legal representative of Shanghai Weichang was changed to Mr. Weng Yu, an executive Director.

Further announcement(s) will be made by the Company as and when appropriate to keep the shareholders informed of the material developments in the above matters.

CONTINGENT LIABILITIES

As at 31 March 2017, there were no material contingent liabilities of the Group (2016: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2017, there was no charge on the Group's assets (2016: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group employed 31 employees. The total staff cost including Directors' emoluments was HK$12.3 million as compared to HK$11.2 million for the previous year. The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group. No share option was granted nor exercised during the year. There were no outstanding share options as at 31 March 2017.

Subsequent to year end, on 19 May 2017, the Company granted 50,000,000 share options to certain eligible participants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2017.

CORPORATE GOVERNANCE CODE

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

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

2. Under the A.4.1 of the Code, the non-executive Directors should be appointed for a specific term, subject to re-election. Currently, none of the non-executive Directors and independent non-executive Directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

3. Under the A6.5 of the Code, Directors should provide a record of the training they received to the Company. The Company did not receive the training records from the former Directors namely Mr. Jia Hong Sheng, Dr. Li, Mr. Zhou Bao Yi, Mr. Zhao Kai, Mr. Mu Xiang Ming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua. Nevertheless, the Company will be responsible for arranging and funding suitable training for Directors in future.

NON-COMPLIANCE WITH LISTING RULE 3.10A

The number of independent non-executive Directors falls below the minimum number required under Rule 3.10A of the Listing Rules upon the appointment of 20 Directors and removal of 8 Directors on 18 June 2016 and change of Directors on 16 December 2016. Following appointment of an independent non-executive Director and resignation of 3 non-executive Directors on 21 February 2017, the Company has fulfilled the requirement under Rule 3.10A of the Listing Rules.

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 existing Directors, they have complied with the Model Code during the year. However, the Company did not receive the said confirmations from former Directors, namely Mr. Jia Hong Sheng, Dr. Li, Mr. Zhou Bao Yi, Mr. Zhao Kai, Dr. Yan Shi Yun, Mr. Mu Xiang Ming, Mr. Jiang Bo and Mr. Zhao Hua.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Wednesday, 27 September 2017 (the "AGM"). A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 22 September 2017 to Wednesday, 27 September 2017, both days inclusive, during which period no transfer of the shares can be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 21 September 2017.

REVIEW OF ANNUAL RESULTS

The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2017.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 March 2017 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Elite Partners CPA Limited ("Elite Partners") to the amounts set out in the Group's consolidated financial statements. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Elite Partners on this preliminary results announcement.

By order of the Board
China Health Group Limited
Weng Yu
Executive Director

Hong Kong, 30 June 2017

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Weng Yu, Mr. Wang Yongqing, Mr. Chung Ho, Mr. Wang Jingming and Mr. Zhang Fan; eight non-executive Directors, namely, Mr. Ying Wei, Mr. Zhang Song, Ms. Wei Changying, Mr. Xing Yong, Mr. Wang Zili, Mr. Wang Xiaolin, Mr. Wang Yuexiang and Mr. Li Xuguang; and seven independent non-executive Directors, namely, Mr. Xiao Zuhe, Mr. Wang Qingyou, Mr. Zou Lian, Ms. Yang Huimin, Mr. Liang Qi, Mr. Xin Hua and Mr. Jiang Xuejun.

* *For identification purpose only*