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)
Listed on The Stock Exchange of Hong Kong (Stock Code：673)

2019
ANNUAL REPORT

CONTENTS

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Fan
Mr. Chung Ho
Mr. Wang Jingming
Mr. Weng Yu

NON-EXECUTIVE DIRECTORS

Mr. Xing Yong
Mr. Wang Yuexiang
Mr. Huang Lianhai
Mr. Qiu Peiyuan
Mr. Zhang Dawei
Mr. Wang Yongming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xiao Zuhe
Mr. Jiang Xuejun
Mr. Du Yanhua
Mr. Lai liangquan

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond

REGISTERED OFFICE

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL BANKER

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10 Des Voeux Road Central
Hong Kong

AUDITORS

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LEGAL ADVISER

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The Landmark,
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bermuda

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Hong Kong

COMPANY WEBSITE

http://www.ch-groups.com

STOCK CODE

673

Chairman's Statement

Dear Shareholders,

Amid growing global trade frictions, the medical and healthcare industry, as the fastest-growing emerging industry, is exhibiting its enormous investment value. In addition, as a result of active innovations in the medical industry in terms of products and technologies, such as the numerous innovations in biotechnology, gene detection and editing and immunotherapy areas, a large number of unicorn enterprises have emerged, bringing infinite vitality and room for imagination for the capital market.

In recent years, by promoting the implementation of public health policies for a "Healthy China", the PRC government has also provided a huge market for the global medical and healthcare industry. As a professional manager and investor in the medical and healthcare area, the Group has gradually accumulated and developed its own brand influence with years of operation.

Looking back to the past year, the Group recorded fast growth in its core business, and revenue from the newly-added medical consumables (heart stents and peripheral equipment) trading achieved steady growth, which is planned to be further extended for the integration of trading, industry and technology industrial chain. For medical services, the Group will gradually shift its focus from the operation and management of general hospitals to specialty chains and from the entrusted operation of public hospitals to including both equity investment and operation. Looking forward, the Group will capture the historic development opportunities for the medical and big health industry by focusing on high-end medical services and continuously seeking structural investment opportunities, so as to build the Group's core competitiveness and leading position in the relevant areas and bring attractive returns to its shareholders and investors.

Zhang Fan
Chairman

28 June 2019

Management Discussion and Analysis

RESULTS REVIEW

For the year ended 31 March 2019, the Group reported a revenue of approximately HK$32.2 million, representing an increase of 33% as compared to HK$24.2 million for the previous financial year. The revenue comprises (a) trading income of medical equipment and consumables of HK$16.9 million (2018: HK$13.8 million); (b) management fee income from hospital management of approximately HK$9.9 million (2018: HK$8.4 million); (c) income from business factoring business of approximately HK$4.2 million (2018: HK$1.8 million); and (d) income from property investment of HK$1.2 million (2018: nil), during the year.

The Group's loss attributable to shareholders for the year was approximately HK$23 million as compared to a net loss of approximately HK$39.2 million for the previous financial year. The decrease in net loss was mainly attributable to decrease in administrative expenses as a result of cost saving measures taken by the Group during the year. Basic loss per share for the year was HK0.57 cents (2018: HK0.99 cents).

REVIEW OF BUSINESS OPERATION

For the year ended 31 March 2019, the existing business segments of the Group comprise (a) hospital management business; (b) medical equipment and consumables trading business; (c) business factoring business; and (d) property investment.

Hospital management business

(1) 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. Shuangluan Hospital was relocated to a new site in August 2016. The new hospital covers an area of 46 acres, with completed construction area of 37,000 square meters and 400 beds in the first phase. The second phase construction of "Psychiatry Building" has been completed and the "Psychiatry Building" provides 400 beds. From April 2018 to March 2019, Shuangluan Hospital recorded revenue of approximately RMB120 million, representing an increase of 24% compared with last corresponding period.

Currently, the Group is entitled management fee equivalent to 6% of the revenue of Shuangluan Hospital and recorded management fee of approximately HK$8.2 million during the year. With the expansion of hospital scale, the revenue of the hospital is expected to grow significantly and therefore the Group can also capture satisfactory revenue from expansion of the hospital.

Management Discussion and Analysis

(2) Anping Bo'ai Hospital

The Group took over the operation of 安平博愛醫院 ("Anping Bo'ai Hospital") in October 2016. Currently, the Group is entitled management fee equivalent to 6% of the revenue of Anping Bo'ai Hospital and recorded management fee of approximately HK$1.3 million during the year.

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

The Group took over the operation of 灤平縣紅十字醫院 ("Red Cross Hospital of Luanping County") and 灤平縣鴻福養老護理院 ("Hong Fu Eldercare and Nursing Home of Luanping County") in April 2017. Currently, the Group is entitled management fee equivalent to 3% of the revenue of Red Cross Hospital of Luanping County and recorded management fee of approximately HK$0.4 million during the year.

(4) Yueyang City Baling Hospital Company Limited

The Group took over the operation of 岳陽市巴陵醫院有限公司 ("Yueyang City Baling Hospital Company Limited") in January 2018. The right to management of the Yueyang City Bailang Hospital Company Limited discontinued since 31 December 2018 (one year since 1 January 2018). The Group did not entitle any management fee during the year.

Medical equipment and consumables trading

The Group 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.

The Group established 馬格瑞茲（武漢）醫療技術發展有限公司 (Mareguizi (Wuhan) Medical Technology Development Co., Ltd.) with certain independent third parties in August 2018, in which the Company indirectly holds 51% equity interest, to further develop the trading of medical consumables.

Management Discussion and Analysis

Business factoring business

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

Property investment

The Group completed acquisition of properties of Anping Bo'ai Hospital at a consideration of RMB15 million in November 2017 and generate stable rental income to the Group during the year.

FUTURE PROSPECT

With the continuous social and economic development, urbanization and huge ageing population in Mainland China, the medical and healthcare industry has shown a diversified and rapid growth in recent years. The PRC government has implemented a series of reform measures to, while strengthening public hospitals, relieve the restrictions on access by private capital and encourage foreign capital to invest in establishing and operating hospitals, which has provided enormous business opportunities for the development of the Group.

By leveraging its competitiveness strengths in successfully managing hospitals, the Group started to seek opportunities to invest in and acquire hospitals for its own operation during the year. The Group aims to invest in setting up central hospitals in certain main cities in Mainland China, which will lay a foundation for the Group to build a hospital group. While establishing central hospitals, the Group will also focus on the development of the relevant supply chain services and medical information technology. The Board believes that such correct development strategy will enable the Group to achieve satisfactory results for its shareholders.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On 1 November 2018, the Company entered into the strategic cooperation agreement with Hunan Junlin Private Equity Fund Management Co., Ltd., which is a fund management company specializing in investments in different industries and is a well-known enterprise in Hunan Province, in relation to the formation of a fund. The Group intends to invest not more than RMB25 million (equivalent to approximately HK$28 million) to the fund, representing approximately 33.3% of the fund size, and the Group will become a limited partner of the fund which will be established for the investment medical and healthcare industry by way of mergers and acquisitions in the PRC. Further details of the strategic cooperation agreement were set out in the announcement dated 1 November 2018.

Management Discussion and Analysis

On 28 December, 2018, the Group and the vendors entered into the share purchase agreement (as supplemented by certain supplemental agreements) for acquisition of 70% equity interest of Anping Bo'ai Hospital (which will be transformed to a for-profit hospital and will become the target company to be acquired) at the consideration of RMB4.2 million (equivalent to approximately HK$4.79 million), which shall be satisfied by cash. A deposit in the total sum of RMB1.8 million (equivalent to approximately HK$2.05 million) will also be paid by the Group in respect of the possible acquisition of the remaining 30% equity interests of the target company. The long stop date of the proposed acquisition has been extended to 31 July 2019 and the proposed acquisition is not yet completed as at date of this report. Further details of the proposed acquisition were set out in the announcements of the Company dated 28 December 2018, 1 February 2019, 28 February 2019, 10 May 2019 and 20 June 2019.

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

UPDATE OF USE OF PROCEEDS

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$71.3 million, representing a net subscription price per subscription share of approximately HK$0.169. The proceeds were utilized as (i) HK$1.5 million for the business factoring business; (ii) approximately HK$5.5 million for payment of medicine procurement and medical equipment; (iii) approximately HK$28.4 million for office rental, salaries and other operating expenses; and (iv) approximately HK$35.9 million for loan to certain parties including hospitals.

FUND RAISING ACTIVITY

On 11 September 2018, the Company and a trustee, which holds the subscription shares on trust for 25 persons who are employees and/or consultant of the members of the Group, entered into the subscription agreement in respect of 100,000,000 subscription shares at a subscription price of HK$0.10 per subscription share. The gross proceeds and net proceeds from the subscription are HK$10 million and HK$9.6 million (representing HK$0.096 per subscription share) respectively, which will be used for the Group's future business development, investment and general working capital purposes. 54,000,000 subscription shares have been issued and allotted on 17 December 2018 raising net proceeds of HK$5 million. All the net proceeds are not utilised and are kept at banks of the Group as at date of this report. Details of the subscription were disclosed in the announcement of the Company dated 11 September 2018. The Company and the Trustee have agreed that completion of the subscription of the remaining 46,000,000 subscription shares shall take place on a date falling on or before 31 December 2019.

Save as disclosed above, there was no other fund raising activity during the year.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow and fund raising activity as stated above during the year. As at 31 March 2019, the Group's cash and cash equivalents amounted to approximately HK$29.9 million (2018: HK$39.0 million).

As at 31 March 2019, the current assets and net current assets of the Group are approximately HK$157.1 million (2018: HK$106.0 million) and HK$73.9 million (2018: HK$41.8 million) respectively, representing a current ratio of 1.89 (2018: 1.65).

As at 31 March 2019, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4 million (2018: US$4 million) (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 2019, the gearing ratio was 0.24 (2018: 0.19), calculated by dividing dividend payable on redeemable convertible cumulative preference shares (representing debt owed by the Company) by shareholders' equity of approximately HK$130.4 million (2018: HK$161.1 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 report:

Dividend payable on redeemable convertible cumulative preference shares

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.

Management Discussion and Analysis

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 (the "Announcements").

Management Discussion and Analysis

Further to a demand received by the Company (the "Demand") and upon internal investigation, the Company believes that the US$4 million in connection with HCMP2593/2016 as set out in the Announcements belongs to the Company on the following grounds: (1) that the agreement dated 23 November 2012 between the Company and Capital Foresight Limited (the "Agreement") executed by Dr. Li, a then executive director and chairman of the Company and removed on 18 June 2016, was purportedly entered into in breach of Dr. Li's fiduciary duties and without authority, and Capital Foresight Limited was knowingly complicit in this arrangement; (2) that the loan note dated 1 August 2015 and issued by the Company (under its former name China Healthcare Holdings Limited) (the "Loan Note"), executed by Dr. Li purportedly on behalf of the Company in favour of Li Hong was purportedly entered into in breach of Dr. Li's fiduciary duties, without authority and inconsistent with the Company's articles of association; and (3) the Agreement and the Loan Note were and are void or voidable and unenforceable. On 7 November 2017, a writ of summons under action number HCA 2549/2017 has been issued in the High Court of the Hong Kong Special Administrative Region by the Company against Dr. Li as 1st Defendant, Capital Foresight Limited as 2nd Defendant and Li Hong as 3rd Defendant. Pursuant to the writ, the Company is seeking, amongst others, the following reliefs against the defendants: (i) a declaration that the agreement dated 23 November 2012 between the Company and Capital Foresight Limited executed by Dr. Li is void or voidable and unenforceable; and (ii) a declaration that the loan note dated 1 August 2015 and issued by the Company is void or voidable and unenforceable. Please also refer to the announcement of the company dated 8 November 2017. Since the announcement acknowledgement of service is and statement of claim were filed in December 2017. Pursuant to a court order, this action has been consolidated with the action described in below paragraph and is currently in the pleadings stage.

On 24 November 2017 and in connection with the Demand, the Company received a writ of summons dated 9 November 2017 claiming for an order directing the Company to forthwith issue in favour of Capital Foresight Limited or its nominee a promissory note of US$4,000,000 pursuant to the Agreement, or alternatively US$4,000,000, interest and costs. Pursuant to an order, this action has been consolidated with the action described above.

The parties have exchanged witness statements in January 2019. Pursuant to an Order, the Company filed its Amended Writ of Summons and Statement of Claim in this action. The Defendants have filed their respective Defence and Counterclaim (if any). The Company will file its Amended Reply in due course, pending the determination of separate specific discovery application. The next Case Management Summons hearing is scheduled to be heard on 8 July 2019.

Management Discussion and Analysis

Zhongwei Kanghong Investments Limited

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. On 31 March 2017, the Administrative Lawsuit has been discontinued by the Company. 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. A judgment in respect of the Civil Lawsuit II was obtained on 12 September 2017. Dongcheng District Court supported the request by Zhongwei Kanghong in Civil Lawsuit II. On 22 June 2018, business registration for such changes has been completed and the business licence has been obtained.

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.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 March 2019, there were no material contingent liabilities of the Group (2018: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2019, there was no charge on the Group's assets (2018: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group employed 32 employees (2018: 35). The total staff cost including Directors' emoluments was approximately HK$14.5 million as compared to approximately HK$18.8 million for the previous period. The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the 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 or exercised during the year. There were 50,000,000 outstanding share options as at 31 March 2019.

On 26 April 2019, 321,994,763 share options were granted to Directors and other certain eligible participants.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhang Fan, aged 54, graduated from the Engineering Department of Changsha University of Science and Technology with a Bachelor Degree in engineering, majoring in engineering machinery. From April 1989 to November 2016, he served at CSG Holding Co., Ltd. (which is listed on the Shenzhen Stock Exchange with stock code: 000012), and held a number of important positions with CSG Holding Co., Ltd. or its subsidiaries. Mr. Zhang has long been engaged in enterprise management, and in particular has accumulated extensive management experience in corporate standardization, regulation and information development. He has in-depth understanding of the relevant industries, and was president of the Guangdong Glass Association. He was appointed as executive director of the Company on 16 December 2016 and the chairman of the Company on 11 December 2017.

Mr. Weng Yu, aged 40, graduated from Shanghai Jiao Tong University with a bachelor's degree in law. Mr. Weng has been engaged in legal work in enterprises since 2002 and served as a chief legal officer and secretary of the board of directors in a high-tech company from 2005 to 2015, as a result, he has extensive experience in company law and corporation management. He was appointed as executive director of the Company on 18 June 2016.

Mr. Chung Ho, aged 57, graduated from Shanghai Railway University with a Bachelor degree in Science and Technology and from the Central University of Finance and Economics with a Master degree in Economics. He has over 27 years of experience in investment, financing, corporate management and other areas and has worked in several investment institutions and companies in Mainland China and Hong Kong as senior manager and director. He was appointed as executive director of the Company on 28 December 2012 and the chief executive officer of the Company on 11 December 2017.

Biographical Details of Directors and Senior Management

Mr. Wang Jingming, aged 62, graduated from the Fourth Military Medical University and the Third Military Medical University and received a bachelor's degree in Medicine and a master's degree in Surgery respectively. In his career of hospital management from 1994, he served in the 251st Hospital of the People's Liberation Army as director of Medical Service, vice president in medical and president, Chang'an Hospital in Xi'an as president, Beijing Beiya Orthopedics Hospital as president, Nanchang 334 Hospital as president, Chengde City Shuangluan District People's Hospital as president. Mr. Wang has long been focused on theoretical research and practice of hospital operating mechanism, management model, development direction, and made outstanding achievements. "The Research of Military Center Hospital Management New Model" awarded the second prize of military science and technology progress, "Hospital Management New Model" was published by the People's Military Medical Press in 2009, and was published its second edition in 2015; he advocates the three opportunities theory of hospital development, causing widespread concern in the field. He has published over 80 articles on hospital management and medical professional academic papers; and he was awarded 8 military science and technology achievement awards and medical achievement awards (of which 3 were the second prize, all were the primary research); 2 honorary third awards. During the 5 years when he served as president in the 251st Hospital, the hospital obtained sustainable and rapid development, accessed to social benefits and economic benefits double harvest. The hospital was named "Hospital Operating Mechanism Research Base", "Model Digital Trial Hospitals" by the Ministry of Health, and the "Advanced Unit of the Army in Hospital Informatization" by the General Logistics Department.

Mr. Wang was honoured "The Most Leading Chinese Hospital President Innovation Award", "China Outstanding CIO", "Excellent Hospital President of the Army", "Outstanding Contribution of Promoting Construction of China's Informatization", etc. He was also elected as a standing member of the Information Management Committee, a vice chairman of the Chinese Hospital Statistics Committee, a member of the Chinese Health Information Association, and a standing member of the Military Hospital Economic Management Committee of Chinese Hospital Association. As the president of Chang'an Hospital for more than three years, the number of beds increased from 300 to more than 1000, and medical income increased from RMB120 million to RMB400 million, rising the Shaanxi provincial tertiary hospital rank from No. 48 to No. 12; it Is the only private hospital to participate in the Ministry of Health electronic medical system function evaluation, the first of the national inspection and evaluation; and the first US HIMMS sixth level certified hospital in China. When he served as the president of 334 Hospital for 1 year, it completed the overall renovation of new model hospital management, and the overall management level, service capacity, brand image were significantly improved, outpatient, inpatient beds increased by 1 time, hospital income increased by over 90%, and the hospital was certified tertiary hospital qualification. He was appointed as executive director of the Company on 15 May 2014 and hospital chief executive on 11 December 2017.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Xing Yong, aged 54, a senior engineer, graduated from Huaqiao University majoring in mechanical manufacturing. In 2004, Mr. Xing formed a Hong Kong company conducting the business of trading and shipping agency for customers from the United States, Europe and South Africa. Mr. Xing was appointed as the deputy general manager of Shenzhen Teamrun Investment Development Company Limited since 2015 and oversees commercial real estate development projects. He was appointed as non-executive director of the Company on 18 June 2016.

Mr. Wang Yuexiang, aged 57, received a bachelor's degree from Changsha Railway University. Since the beginning of 1985, Mr. Wang Yuexiang engaged in financial management in the enterprise; from 2008 to 2011, he served as chief financial officer in Beijing Haixinfangzhou Properties Development Co., Ltd.; from 2011 to date, Mr. Wang Yuexiang serves as the chief financial officer in Beijing Dongchenheyue Investment Management Co., Ltd. He was appointed as non-executive director of the Company on 18 June 2016.

Mr. Huang Lianhai, aged 38, graduated from the Central South University of Forestry and Technology College of Law in 2005. Mr. Huang worked as an assistant solicitor in Guangdong Hopesun Law Firm from June 2005 to December 2007. Mr. Huang has worked in Guangdong Lawsons Law Office since August 2008 and is currently a lawyer. He was appointed as non-executive director of the Company on 25 July 2017.

Mr. Qiu Peiyuan, aged 54, graduated from the Biology Department of Physics, Nankai University with a bachelor of science degree in biology in 1986, from the Faculty of Science, The University of Hong Kong with a master's degree in bioscience in 1998, and from the Business School of the University of Western Ontario, Canada with a master's degree in business administration in 2003. Following his graduation, Mr. Qiu joined the Bank of Nova Scotia as a senior analyst. Mr. Qiu joined the T. Rowe Price Group in 2008 as vice president, Asia. Mr. Qiu joined Huabao Trust Co., Ltd. in 2011 as general manager of the international business department. Mr. Qiu joined Ping An Trust Co., Ltd. in 2015 as president of overseas investment division and senior managing director, responsible for establishing overseas investment division and determining its overseas investment strategies and plans. Mr. Qiu has obtained chartered financial analyst, Canadian certificated financial planner, Canadian fund company partner, director and senior management, and Canadian securities qualifications. Ping An Trust Co., Ltd. is the manager of Zheng Hua Investment Limited, a substantial shareholder of the Company. He was appointed as non-executive director of the Company on 4 June 2018.

Biographical Details of Directors and Senior Management

Mr. Wang Yongming, aged 57, obtained a bachelor's degree in journalism from Fudan University and EMBA from Eastern European Business School. He is a lawyer. He had served successively as an editor of the People's Daily Overseas Edition, a government official of the Central Committee, the deputy secretary-general of Leshan Municipal Committee of Sichuan Province, the editor-in-chief of www.ffclw.cn, the deputy secretary-general of China Integrity Law Association and the vice president of the Meilixin Holdings Co., Ltd.. Mr. Wang has extensive experience in corporate legal affairs, corporate organisation and coordination, corporate management, and corporate development planning. He was appointed as non-executive director of the Company on 4 June 2019.

Mr. Zhang Dawei, aged 47, obtained a bachelor's degree in economics from Capital University of Economics and Business. He is a senior accountant. From July 1993 to December 1994, he was engaged in secretarial work in the International Liaison Department of the Central Committee of the Communist Party of China and the fund management of the Communist Party of China in foreign aid. From January 1995 to January 1999, he worked in Zhonghua Certified Public Accountants under the Ministry of Finance as an audit manager, responsible for the audit work; from January 1999 to October 2017, he served as a director of Tibet Jinzhu Group Co., Ltd.; from August 2010 to December 2013, he served as assistant to the general manager and the deputy director of finance in China United Travel Co., Ltd., which is controlled by CITS Group Corporation; from November 2017 to date, he served as the executive director and the general manager of Zhonghe Green Energy Technology Co., Ltd. Mr. Zhang has been mainly engaged in financial audit during the listing of large and medium-sized enterprises, and has served as a financial advisor in various listed companies. He has accumulated extensive experience in the initial public offering of companies, asset restructuring, shareholding system reform and audit in large-scale companies. He was appointed as non-executive director of the Company on 4 June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xiao Zuhe, aged 52, graduated from Jiangxi University of Finance and Economics and the City University of Hong Kong majoring in accounting. Mr. Xiao is a Certified Public Accountant in China, certified public accountant in Hong Kong and a member of the Institute of Chartered Accountants in England and Wales. Mr. Xiao is currently the managing director of Shenzhen Qianhai Benefit Equity Investment Management Co., Ltd. and the chief executive officer of Hong Kong Benefit Capital Limited. Mr. Xiao was an independent director of Beijing Shenhua New Capital Co., Ltd (a company listed on the Shenzhen Stock Exchange with stock code of 000010) during the period from 2013 to 2015. He has been an independent director of Konka Group Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 000016) since June 2015, an independent director of Sunnypol Optoelectronics Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 002876) from September 2016, an independent director of Shenzhen Chuangfugang Business Limited Company (listed on the Listed on the National Equities Exchange and Quotations (The New Third Board) with stock code: 836090) since March 2017 and independent non-executive director of Qinhuangdao Port Co., Ltd. (listed on the Stock Exchange with stock code: 3369) since June 2018. He was appointed as independent non-executive director of the Company on 18 June 2016.

Biographical Details of Directors and Senior Management

Mr. Jiang Xuejun, aged 51, obtained a master's degree and doctoral degree in Cardiology from Tongji Medical University Affiliated Tongji Hospital in China. He was also a post-doctoral fellow at Pennsylvania State University and New York State University from June 1998 to June 2001. He has been a professor of Cardiology, chief physician and PhD tutor at Wuhan University Renmin Hospital since October 2001. Mr. Jiang mainly focuses on interventional cardiology and his research directions are coronary heart disease intervention and biomaterial application. He undertakes a number of national and provincial studies and has published numerous medical articles. He was appointed as independent non-executive director of the Company on 21 February 2017.

Mr. Du Yanhua, aged 53, graduated from Wuhan University with a Bachelor degree in Virology and a Master degree in Radio Biophysics. He specializes in fields of biophysics, radiation biology and medicine, HIV/SIV vaccine design and construction, laboratory and primates animal immunization, drug and vaccine manufacture, verification of vaccine and clinical trials declaration. He was a research assistant and a lecturer from in College of Life Sciences, Wuhan University from 1987 to 1992 and from 1992 to 2006 respectively. He worked as researcher and engineer in Zheng Tai Technical & Trade Limited in Wuhan from 2001 to 2005. He was also a visiting research scholar in The Aaron Diamond AIDS Research Center, New York from 2006 to 2008 and a research assistant in Aids Institute, LKS Faculty of Medicine in The University of Hong Kong from 2008 to 2012. He has been a technical manager in the Aids Institute, LKS Faculty of Medicine in The University of Hong Kong since March 2012, a senior project manager of Immuno Cure Limited since May 2015 and the chief executive officer of Shenzhen Yike Biotechnical Limited since October 2017. He was appointed as independent non-executive director of the Company on 11 December 2017.

Mr. Lai Liangquan, aged 43, graduated from Xi'an Jiaotong University with a bachelor's degree in accounting in 2001. Mr. Lai is a PRC Certified Public Accountant and PRC Certified Tax Agent. Mr. Lai is currently the corporate finance controller of NVC Lighting Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2222). Mr. Lai has been engaged in finance for 17 years. He is familiar with domestic and international accounting standards and Hong Kong listing rules and has extensive experience in financial management and corporate governance. He was appointed as independent non-executive director of the Company on 5 March 2019.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ding Jiuru, aged 56, is the chief financial officer of the Company. He joined the Group in March 2018. Mr. Ding is a senior accountant and graduated from the Management School of Huazhong University of Science and Technology with a master's degree in 1999. Mr. Ding successively served as financial manager, chief accountant and deputy general manager of China North Industries Shenzhen Company from May 1992 to April 2005, and as financial manager, assistant to president, chief economist, vice president and secretary to the board of directors of CSG Holdings Co., Ltd. from May 2005 to November 2016. Mr. Ding has been a vice president of Shenzhen Jinli Innovation Investment Co., Ltd. since January 2017.

Mr. Tsui Siu Hung Raymond, aged 42, is the company secretary of the Company. He joined the Group in June 2006. Mr. Tsui obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in Hong Kong, in July 1999. His major subject was professional accountancy. He was admitted as a fellow member of the Association of the Chartered Certified Accountants in March 2008 and a fellow member of the HKICPA in June 2010. Mr. Tsui has been one of the partners of Tsui & Partners CPA Limited, a registered firm of certified public accountants (practising) in Hong Kong since March 2014, and currently the company secretary of the following companies listed on the Stock Exchange and the GEM of the Stock Exchange: Vongroup Limited (Stock Code: 318) since February 2010, Guru Online (Holdings) Limited (Stock Code: 8121) since May 2015, Sino Haijing Holdings Limited (Stock Code: 1106) since December 2015 and Ocean One Holding Limited (Stock Code: 8476) since May 2017 respectively.

Report of the Directors

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of hospital management service, trading of medical equipment, business factoring and property investment during the year. Save as commencement of property investment business, there were no significant changes in the operation of the Group during the year.

BUSINESS REVIEW

Details of business review, financial performance and future development of the Group's business are set out in the "Management Discussion and Analysis" section from pages 4 to 12. There are no important events affecting the Group since 31 March 2019.

Principal Risks and Uncertainties

There are various risks and uncertainties including business risks, operational risks and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

As most of the existing healthcare projects are located in the People's Republic of China (the "PRC"), the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC. If any stricter regulations regarding the Group's operation or the healthcare industry are enacted in the future, business and operation of the Group may also be significantly impacted. Details of the financial risks are set out in note 7 to the consolidated financial statements.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group's operations are subject to a variety of the PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. The Group was in compliance with all relevant laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable laws and regulations.

Report of the Directors

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. The Group's operations are mainly carried out in the PRC and Hong Kong while the shares of Company are listed on the Hong Kong Stock Exchange Limited. Hence, the Group shall comply with relevant laws and regulations in the PRC and Hong Kong and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Rules Governing the Listing of Securities on the Stock Exchange and other relevant regulations. The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year. Save as certain litigations as disclosed in "Material litigations" in the "Management Discussion and Analysis" section, there was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 March 2019.

Relationship with Employees, Customers and Suppliers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators, hospital and shareholders. During the year, save as disclosed in "Material Litigations" in the "Management Discussion and Analysis" section, there were no material and significant dispute between the Group and its key stakeholders that have a significant impact on the Group.

The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2019 and the state of affairs at the date are set out in the consolidated financial statements on pages 45 to 126.

The directors do not recommend the payment of any dividend for the year ended 31 March 2019 (2018: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the Company's convertible bonds are set out in the note 26 to the consolidated financial statements.

Report of the Directors

SHARE CAPITAL

Details of movement in the Company's share capital during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity on pages 49 and 50.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company had no reserves available for distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda.

DIRECTORS AND THEIR SERVICE CONTRACTS

The directors of the Company ("Directors") during the year and up to the date of this report:

Executive Directors

Mr. Zhang Fan	
Mr. Chung Ho	
Mr. Wang Jingming	
Mr. Weng Yu	
Mr. Wang Yongqing	(resigned on 13 July 2018)

Non-executive Directors

Mr. Ying Wei	(resigned on 7 May 2018)
Mr. Zhang Song	(resigned on 7 May 2018)
Mr. Xing Yong	
Mr. Wang Zili	(resigned on 13 July 2018)
Mr. Wang Yuexiang	
Mr. Li Xuguang	(resigned on 13 July 2018)
Mr. Huang Lianhai	
Mr. Qiu Peiyuan	(appointed on 4 June 2018)
Mr. Zhang Dawei	(appointed on 4 June 2019)
Mr. Wang Yongming	(appointed on 4 June 2019)

Report of the Directors

Independent non-executive Directors

Mr. Xiao Zuhe	
Mr. Wang Qingyou	(resigned on 23 August 2018)
Ms. Yang Huimin	(resigned on 7 May 2018)
Mr. Xin Hua	(resigned on 14 December 2018)
Mr. Jiang Xuejun	
Mr. Du Yanhua	
Mr. Lai Liangquan	(appointed on 5 March 2019)

The biographical details of the Directors and senior management of the Group are set out on pages 13 and 18 of this annual report.

In accordance with the Company's Bye-laws 86(2) and 87, Mr. Zhang Fan, Mr. Wang Yuexiang, Mr Huang Lianhai, Mr. Zhang Dawei, Mr. Wang Yongming, Mr. Xiao Zuhe, Mr. Jiang Xuejun and Mr. Lai Liangquan will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Chung Ho, Mr. Wang Jingming and Mr. Zhang Fan has entered into a service contract with the Company with effect from 1 January 2017 for a term of three years unless terminated by three months' notice in writing served by each of Mr. Chung, Mr. Wang and Mr. Zhang or the Company.

Each of Mr. Zhang Dawei and Mr. Wang Yongming has entered into a service contract with the Company with effect from 4 June 2019 for a term of three years unless terminated by three months' notice in writing served by each of Mr. Zhang and Mr. Wang or the Company. Save as disclosed above, all non-executive Directors and independent non-executive Directors are not appointed for a specific term.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than normal statutory obligations.

The remuneration of the Directors and the details of the 5 highest-paid employees of the Company and the Group are set out in note 14 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director or his associate has engaged in any business which competes or is likely to compete directly or indirectly with that of the Group during the year.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's memorandum of association, every Director, secretary or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES AND SHARE OPTIONS

As at 31 March 2019, the interests and short positions of the Directors/Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions in which the Directors were deemed or taken to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Report of the Directors

Name of Director/chief executive	Company/ associated corporation	Capacity	Interests in shares (other than pursuant to equity derivatives)	Interests in underlying shares pursuant to equity derivatives	Total interests in shares/ underlying shares	Percentage of shares and underlying shares to issued shares at 31 March 2019
Mr. Zhang Fan *(note1)*	The Company	Corporate	900,000,000 (L)	–	900,000,000 (L)	21.98%
		Personal	13,074,000 (L)	–	13,074,000 (L)	0.32%
Mr. Wang Jingming	The Company	Personal	19,968,000 (L)	–	19,968,000 (L)	0.49%
Mr. Xing Yong	The Company	Personal	1,398,000 (L)	–	1,398,000 (L)	0.03%

Remark: (L) : Long position

Notes:

1. These shares are held through Treasure Wagon Limited which is wholly owned by Mr. Zhang Fan.

Save as disclosed above, none of Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and neither the Directors nor chief executive, nor any of their spouse or children under the age 18, had any right to subscribe for securities of the Company, or exercised any such right.

Report of the Directors

PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31 March 2019, so far as was known to the Directors and the chief executive of the Company, the following persons (not being Directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholders	Capacity	Interests in shares	Interests in underlying shares pursuant to equity derivatives	Total interests in shares and underlying shares	Approximate percentage of shares and underlying shares held to issued shares as at 31 March 2019
Zheng Hua Investment Limited *(note 1)*	Beneficial owner	120,000,000(L)	140,000,000(L)	260,000,000(L)	6.35%
Coral Point Global Limited *(note 2)*	Beneficial owner	210,000,000(L)	–	210,000,000(L)	5.13%
Mr. Ye Zhankun *(note 2)*	Through controlled corporation	210,000,000(L)	–	210,000,000(L)	5.13%

Remark: (L): Long position

Notes:

(1) Zheng Hua Investment Limited is wholly owned by Shanghai Ying Mao Investment Management Partnership (Limited Partnership). The interest in underlying shares represents the convertible notes which can be converted into 140,000,000 shares of the Company at conversion price of HK$0.15 each.

(2) Coral Point Global Limited is wholly owned by Mr. Ye Zhankun.

Report of the Directors

SHARE OPTION SCHEME

There was no change in any terms of the share option scheme of the Company during the year ended 31 March 2019. Details of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

The following table discloses details of options outstanding and movements under the Company's share option scheme during the year:

	At 1 April 2018	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Reclassified during the year	At 31 March 2019
Employees	27,100,000	–	–	–	–	**27,100,000**
Others	22,900,000	–	–	–	–	**22,900,000**
Total	50,000,000	–	–	–	–	**50,000,000**

Details of such grant of share options are set out below:

Date of grant	Exercisable Period	Exercise price *HK$*	Closing price immediately before the date of grant *HK$*
19 May 2017	From 19 May 2017 to 18 May 2022	0.18	0.165

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 127 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier and the five largest suppliers of the Group accounted for approximately 63.75% and 100%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 26.23% and 71.01%, respectively, of the Group's total sales for the year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting of the Company will be held on 3 September 2019, Tuesday, the register of members of the Company will be closed from 29 August 2019, Thursday to 3 September 2019, Tuesday, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 28 August 2019, Wednesday.

AUDITORS

Elite Partners CPA Limited will retire and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Fan
Executive Director

28 June 2019

Corporate Governance Report

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2019 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. Having made specific enquiry of all existing directors, they have confirmed that they have fully complied with the required standard set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive directors and senior management who perform their duties under the leadership of the Board.

The Board currently consists of four executive directors, six non-executive directors and four independent non-executive directors. One of our independent non-executive directors has relevant financial management expertise required by the Listing Rules. The directors have no financial, business, family or other material/ relevant relationship among themselves.

The Company has received annual confirmations of independence from independent non-executive directors and the Company considers that all of independent non-executive directors are independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 13 and 18 of this annual report.

The number of independent non-executive directors falls below the minimum number required under Rule 3.10A of the Listing Rules upon appointment of a non-executive director on 4 June 2018 and resignation of an independent non-executive director on 14 December 2018. Following the resignation of directors on 13 July 2018 and appointment of an independent non-executive director on 5 March 2019, the Company has fulfilled the requirement under Rule 3.10A of the Listing Rules. On 4 June 2019, the number of independent non-executive directors falls below the minimum number required under Rule 3.10A of the Listing Rules upon appointment of two non-executive directors. The Board will search for and appoint appropriate person(s) to fill the vacancies as soon as possible within three months from the date of this announcement pursuant to the Rule 3.11 of the Listing Rules.

Corporate Governance Report

The Board is also responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements; etc. It is also the practice of the Group to engage and consult financial advisors and legal advisors in conducting its various transactions and in its daily operations in order to ensure compliance with legal and regulatory requirements. The Group has also adopted the policy that all business transactions conducted by the Group must strictly comply with relevant laws and regulations. The Board reviews and monitors whether such policy and practices have been followed by the management and employees of the Group from time to time.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The attendance of each director at the Board meetings, certain committee meetings and general meetings during the year is as follows:

	Attended/Eligible to attend				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors					
Mr. Zhang Fan (Chairman)	11/11	N/A	N/A	1/1	1/1
Mr. Chung Ho	10/11	N/A	N/A	N/A	1/1
Mr. Wang Jingming	8/11	N/A	N/A	N/A	0/1
Mr. Weng Yu	11/11	N/A	N/A	N/A	0/1
Mr. Wang Yongqing (resigned on 13 July 2018)	3/4	N/A	N/A	N/A	0/0
Non-executive Directors					
Mr. Ying Wei (resigned on 7 May 2018)	0/1	N/A	N/A	N/A	0/0
Mr. Zhang Song (resigned on 7 May 2018)	0/1	N/A	N/A	N/A	0/0
Mr. Xing Yong	11/11	N/A	N/A	N/A	1/1
Mr. Wang Zili (resigned on 13 July 2018)	4/4	N/A	N/A	N/A	0/0
Mr. Wang Yuexiang	0/11	N/A	N/A	N/A	0/1
Mr. Li Xuguang (resigned on 13 July 2018)	0/4	N/A	N/A	N/A	0/0
Mr. Huang Lianhai	3/11	N/A	N/A	N/A	0/1
Mr. Qiu Peiyuan (appointed on 4 June 2018)	6/9	N/A	N/A	N/A	0/1
Mr. Zhang Dawei (appointed on 4 June 2019)	0/0	N/A	N/A	N/A	0/0
Mr. Wang Yongming (appointed on 4 June 2019)	0/0	N/A	N/A	N/A	0/0
Independent non-executive Directors					
Mr. Xiao Zuhe	3/11	2/2	1/2	0/1	0/1
Mr. Wang Qingyou (resigned on 23 August 2018)	1/5	0/1	0/0	0/0	0/0
Ms. Yang Huimin (resigned on 7 May 2018)	0/1	0/0	0/0	0/0	0/0
Mr. Xin Hua (resigned on 14 December 2018)	1/9	0/2	0/1	0/0	0/1
Mr. Jiang Xuejun	8/11	2/2	2/2	1/1	0/1
Mr. Du Yanhua	11/11	1/1	1/1	1/1	0/1
Mr. Lai Liangquan (appointed on 5 March 2019)	0/0	0/0	0/0	0/0	0/0

Corporate Governance Report

Provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. 3, being the non-executive Directors and 4, being the independent non-executive Directors, did not attend the Company's annual general meeting held on 12 September 2018 due to their other unexpected business engagements.

Under Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company, and the chairman of the board committees and failing whom, another member of the relevant committee or his duly appointed delegate should be available to answer questions thereat. Due to other unexpected business engagements, the chairman of the remuneration committee, the chairman of the nomination committee and the chairman of the audit committee were not able to attend the annual general meetings of the Company held on 12 September 2018 in person, but they have already delegated to one of the executive Directors to answer questions on their behalf.

CHAIRMAN AND EXECUTIVE DIRECTORS

Under A2.1 of the Code, the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, the chairman of the Company is Mr. Zhang Fan and the chief executive officer of the Company is Mr. Chung Ho.

NON-EXECUTIVE DIRECTORS

Under A.4.1 of the Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, except for Mr. Zhang Dawei and Mr. Wang Yongming who were appointed for a term of 3 years from 4 June 2019, 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 are not less than those in the Code.

REMUNERATION COMMITTEE

The Company established its remuneration committee on 30 March 2012 with specific written terms of reference. The remuneration committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company. Details of remuneration of the directors for the year are disclosed in note 14 to the consolidated financial statements.

Corporate Governance Report

During the year, the Remuneration Committee reviewed the existing remuneration policies of the Company.

Currently, the remuneration committee comprises four independent non-executive directors, namely Mr. Jiang Xuejun as the chairman, Mr. Xiao Zuhe, Mr. Du Yanhua and Mr. Lai Liangquan.

NOMINATION COMMITTEE

The Company established its nomination committee on 30 March 2012 with specific written terms of reference. The nomination committee is responsible for reviewing the structure, size and composition of the Board, making recommendations to the Board on appointment of the directors and assessing the independence of independent non-executive directors. According to the board diversity policy adopted by the nomination committee, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The responsibilities and authority for selection and appointment of Directors is delegated to the nomination committee but the ultimate responsibility for selection and appointment of Directors rests with the entire Board. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the nomination committee are disclosed on the websites of the Company and the Stock Exchange. The nomination committee will also consider recommendations for candidates made by Shareholders of the Company. Regular reviews will be conducted by the nomination committee on the structure, size and composition of the Board and where appropriate, the nomination committee will make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

During the year, the Nomination Committee reviewed the structure, size and composition of the Board and assessed the independence of the independent non-executive Directors and other related matters.

Currently, the nomination committee comprises one executive director, namely Mr. Zhang Fan as the chairman, and four independent non-executive directors, namely Mr. Xiao Zuhe, Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Liangquan.

AUDITOR'S REMUNERATION

The Company's external auditors are Messrs. Elite Partners CPA Limited. For the year ended 31 March 2019, the external auditor's remuneration for audit services was HK$780,000.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 37 to 44 of this annual report.

Corporate Governance Report

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 March 2019 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	1
HK$1,000,001 and above	1

AUDIT COMMITTEE

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 review of the Group's financial statements for the year ended 31 March 2019.

The audit committee has performed the following duties:

– reviewed with the management and the external auditors the audited consolidated financial statements for the year ended 31 March 2018 and the unaudited interim financial statements for the six months ended 30 September 2019, with recommendations to the Board for approval;

– reviewed reports on internal control system covering financial, operational, procedural compliance and risk management functions; and

– reviewed the compliance issues with the regulatory and statutory requirements; and

– reviewed the appointment, reappointment and removal and performance of the external auditor.

Currently, the audit committee comprises four independent non-executive directors, namely Mr. Xiao Zuhe as the chairman, Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Liangquan. The chairman of the audit committee, Mr. Xiao Zuhe, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

Corporate Governance Report

ACCOUNTABILITY

The directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 March 2019, the directors have adopted suitable accounting policies and applied them consistently. The directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for the year ended 31 March 2019.

The Board has not taken any different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has developed the Group's internal control, risk assessment and management systems and has overall responsibility for reviewing and maintaining an adequate and effective risk management and internal control systems to safeguard the interests of the shareholders of the Company and the assets of the Group. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and budget of the Group's accounting and financial reporting functions.

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board is also responsible for overseeing its risk management and internal control systems on an ongoing basis and reviewing the effectiveness of the risk management and internal control systems has been conducted at least annually. The Board understands that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing risk management approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives. The Group established a risk management framework that the Board and management discuss potential risks during board meetings and management meetings regularly. Management from different subsidiaries and departments voluntarily raise any issues that need attention and further discussions. The Board and key management are closely involved in daily operation and monitor the potential risks with their understanding of the industry. When risks arise during business operations, they are assessed at management meetings and risk management actions are taken for significant risks. The Group prioritizes risks identified during management meetings and significant risks are handled at once. Progress on the risks identified at previous meetings is followed up.

Corporate Governance Report

The Board has supervised the management in the design, implementation and monitoring of the risk management and internal control systems and evaluated the effectiveness of the Group's risk management and internal control systems during the year. The Company does not have an internal audit function. The board has annually reviewed whether the Group needs to have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. During the year, the Company has engaged an external risk management and internal control review consultant (the "Consultant") to conduct a review of the Group's risk management and internal control covering the period from 1 April 2018 to 31 March 2019. Such review is conducted annually. The scope of the Consultant's review was previously determined and approved by the Board and covered risk management process, expenditure requisition and revenue recognition processes as well as and resources, qualifications, and experience of staff of the accounting and financial reporting function. The Consultant has reported findings and areas for improvement to the Board. The Board is of the view that there are no material internal control defeats noted. All recommendations given by the Consultant will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board considers the risk management and internal control systems of the Group of the reporting year are effective and adequate.

The Board has established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures. Every management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

COMPANY SECRETARY

During the year ended 31 March 2019, Mr. Tsui Siu Hung Raymond, the Company Secretary, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Tsui are set out in the section headed "Biographical details of Directors and Senior Management" in this annual report.

Corporate Governance Report

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

Code Provision A.6.5 of the Code stipulates that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. All directors have participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility and provided a record of training they received for the year ended 31 March 2019 to the Company.

INSURANCE COVER

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 up to date of this report and will continue to seek insurance companies to comply with the Code.

SHAREHOLDERS' RIGHTS

The Directors believes that effective communication with the shareholders in a timely basis is essential. Shareholders can, by written requisition to the Board or the Secretary of the Company, to convene an extraordinary general meeting, subject to the provision of the Company's Bye-laws 58.

Shareholders are provided with contact details of the Company, such as telephone number, fax number, email address and postal address in the Company's website (http://www.ch-groups.com), in order to enable them to make any query that they may have with respect to the Company. They can also put forward their proposals at shareholders' meetings through these means subject to the provision as set out in the Company's Bye-Laws.

DIVIDEND POLICY

Dividends may be declared from time to time by the Company to its shareholders. The Company does not have any predetermined dividend pay-out ratio. The declaration and payment of dividends shall be determined at the sole discretion of the Board after taking into account, among others, the general financial condition of the Group, the capital and debt level of the Group, the future cash requirements and availability for business operations, business strategies and future development needs, the general market conditions and any other factors that the Board deems appropriate. The payment of dividends by the Company is also subject to any restrictions under the Bermuda laws and any other applicable laws, rule and regulations and the articles of association of the Company.

Corporate Governance Report

INVESTOR RELATIONS

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public, the Company maintains a website (http://www.ch-groups.com) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are being made available.

There was no change in the Company's constitutional documents during the year ended 31 March 2019.

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE MEMBERS OF
CHINA HEALTH GROUP LIMITED
(Carrying on business in Hong Kong as CHG HS Limited)
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China Health Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 126, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the opening balance and corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report (Continued)

BASIS FOR QUALIFIED OPINION

Opening balance and corresponding figures

As detailed in the auditor's report dated 29 June 2018, our auditor's opinion on the consolidated financial statements for the year ended 31 March 2018 (the "2018 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effects of limitations in the scope of the audit. We were unable to carry out audit procedures to satisfy ourselves whether the 2018 Financial Statements gave a true and fair view. Any adjustments found to be necessary in respect of the matters which were the subject of the limitation of scope may have a significant effect on the state of affairs of the Group as at 31 March 2018 and 1 April 2018 and hence of the Group's financial performance and cash flows for the year ended 31 March 2019. Furthermore, such adjustments may have significant effect on the comparability of the current period's figures and corresponding figures in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA 's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in our audit
Impairment assessment of intangible assets	
As at 31 March 2019, the Group had intangible assets of approximately RMB15 million, which was allocated to one cash generating units, namely operation right of Anping Bo'ai Hospital "CGUs". For the purpose of assessing impairment, the Group appointed an independent external valuer to assess the recoverable amount of the CGUs, which were determined by management based on the higher of value-in-use and fair value less costs of disposal. The valuation requires significant judgement made by management in determining the CGUs. We had identified impairment of goodwill and intangible assets as a key audit matter because significant management judgement was used to appropriately identify the CGUs and to determine the key assumptions including estimated future income, operating margins and discount rates. After the management assessment, management has concluded that there is no impairment in respect of intangible assets.	Our audit procedures to address the impairment assessment of intangible assets included the following: • Assessing the management's identification of CGUs based on our understanding of the Group's operation. • Assessing the reasonableness of the underlying cash flow projections used for the determination of the CGUs prepared by management, including but not limited to calculation methodology, assumptions, growth rate, operating margins and discount rate. • Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic. • Testing on the accuracy and reliance of the input data used for the preparation of the cash flow projection on a sample basis. • Assessing the sensitivity analysis on key assumptions being used in the cash flow project (e.g. using a range of higher discount rates and lower revenue growth rate).

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How the matter was addressed in our audit
Impairment assessment of trade and factoring loan receivables As at 31 March 2019, the Group had trade and factoring loan receivables of approximately HK$33 million, net of impairment. We had identified impairment of trade and factoring loan receivables as a key audit matter because significant judgements had to be made for the assessment of the recoverability for each debtor including trading history, credit history and estimated future cash flow. Management has concluded that approximately HK$3 million in respect of the impairment allowance of trade and factoring loan receivables was recognised in the Group's consolidated profit or loss.	Our audit procedures to address the impairment of trade and factoring loan receivables included the following: • Testing the accuracy of the ageing of receivables balances on a sample basis. • Assessing the reasonableness of management's loss allowance estimates on trade and factoring loan receivables by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognizing loss allowances. • Testing on large individual aged receivables balances, understanding the rationale for management's provisioning decisions by reference to payment patterns during the year as well as other information available. • Assessing the level of cash collected by the business after the year end of past due receivable balances to consider any additional provisioning requirements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How the matter was addressed in our audit
Impairment assessment of loan and interest receivables	
As at 31 March 2019, the Group had loan and interest receivables of approximately HK$93 million. During the year ended 31 March 2019, Management has concluded that approximately HK$0.1 million in the respect of impairment allowance provided by the Group on the loan and interest receivables. We had identified impairment assessment of loan and interest receivables as a key audit matter because significant management judgement had to be made for the assessment of the recoverability of the receivables. (e.g. the credit history and estimated future cash flows).	Our audit procedures to address the management's impairment assessment of loan receivables included the following: • We discussed with management if there is any indicator of impairment of the loan and interest receivables and accessed the reasonableness of management's assessment, in particular, those balances had been past due. • We tested on a sample basis on the settlement made by the borrowers during the year and their subsequent settlement with reference to the repayment schedule.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (Continued)

DIRECTORS' AND THOSE CHARGED WITH GOVERNANCE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and such internal control as the directors determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 28 June 2019

Chan Wai Nam, William
Practising Certificate no. P05957

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Consolidated Statement of Profit or loss

For the Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	9	**32,183**	24,247
Cost of services		**(16,059)**	(10,489)
Gross profit		**16,124**	13,758
Other income	10	**8,470**	7,008
Impairment of financial asset, net	10	**(3,416)**	–
Selling and distribution expenses		**–**	(609)
Administrative expenses		**(37,728)**	(46,817)
Finance costs	11	**–**	(188)
Fair value gain on investment property		**129**	137
Impairment of other receivables		**(3,504)**	(10,005)
LOSS BEFORE TAX	12	**(19,925)**	(36,716)
Income tax	13	**(3,088)**	(2,530)
LOSS FOR THE YEAR		**(23,013)**	(39,246)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(23,081)**	(39,246)
Non-controlling interest		**68**	–
		(23,013)	(39,246)
LOSS PER SHARE	15		
Basic		**(HK0.57 cents)**	(HK0.99 cents)
Diluted		**(HK0.57 cents)**	(HK0.99 cents)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(23,013)**	(39,246)
Other comprehensive (expense)/income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(9,689)**	14,904
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(32,702)**	(24,342)
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	**(32,770)**	(24,342)
Non-controlling interest	**68**	–
	(32,702)	24,342

Consolidated Statement of Financial Position

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**331**	1,250
Intangible assets	17	**14,692**	17,098
Investment properties	18	**17,800**	18,875
Loan receivables	19	**25,362**	82,041
		58,185	119,264
CURRENT ASSETS			
Inventories	20	**164**	201
Trade and factoring loan receivables	21	**32,796**	19,708
Prepayments, deposits and other receivables	22	**26,073**	35,244
Loan and interest receivables	19	**68,089**	11,867
Cash and bank balances	23	**29,934**	38,997
		157,056	106,017
CURRENT LIABILITIES			
Trade payables	24	**4,363**	80
Other payables and accrued expenses	25	**73,168**	61,461
Tax payable		**5,665**	2,680
		83,196	64,221

Consolidated Statement of Financial Position (Continued)

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NET CURRENT ASSETS		**73,860**	41,796
TOTAL ASSETS LESS CURRENT LIABILITIES		**132,045**	161,060
NET ASSETS		**132,045**	161,060
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**409,395**	363,995
Reserves		**(278,978)**	(202,935)
		130,417	161,060
Non-controlling interests		**1,628**	–
TOTAL EQUITY		**132,045**	161,060

Approved and authorised for issue by the Board of Directors on 28 June 2019

Zhang Fan	**Chung Ho**
Director	*Director*

Consolidated Statement of Changes In Equity

For the Year ended 31 March 2019

	Share capital	Share premium	Contributed surplus	Convertible bonds reserve	Foreign currency translation reserve	Share options reserve	Accumulated losses	Total	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note a)	*(note b)*	*(note c)*	*(note d)*	*(note e)*				
At 1 April 2017	321,995	476,558*	57,124*	60,000*	(2,242)*	–	(803,433)*	110,002	–	110,002
Loss for the year	–	–	–	–	–	–	(39,246)	(39,246)	–	(39,246)
Other comprehensive loss for the year	–	–	–	–	14,904	–	–	14,904	–	14,904
Total comprehensive income for the year	–	–	–	–	14,904	–	(39,246)	(24,342)	–	(24,342)
Grant of share options	–	–	–	–	–	4,000	–	4,000	–	4,000
Subscription of shares	42,000	29,400	–	–	–	–	–	71,400	–	71,400
At 31 March 2018	363,995	505,958*	57,124*	60,000*	12,662*	4,000*	(842,679)*	161,060	–	161,060
Effect on initial application of HKFRS 9	–	–	–	–	–	–	(3,409)	(3,409)	–	(3,409)
Adjusted balance at 1 April 2018	363,995	505,958	57,124	60,000	12,662	4,000	(846,088)	157,651	–	157,651
Loss for the year	–	–	–	–	–	–	(23,081)	(23,081)	68	(23,013)
Other comprehensive loss for the year	–	–	–	–	(9,553)	–	–	(9,553)	–	(9,553)
Total comprehensive loss for the year	–	–	–	–	(9,553)	–	(23,081)	(32,634)	68	(32,566)
Incorporation of subsidiary	–	–	–	–	–	–	–	–	1,560	1,560
Issue of shares upon conversion of the convertible bonds	40,000	20,000	–	(60,000)	–	–	–	–	–	–
Subscription of shares	5,400	–	–	–	–	–	–	5,400	–	5,400
At 31 March 2019	409,395	525,958*	57,124*	–*	3,109*	4,000*	(869,169)*	130,417	1,628	132,045

** These reserve amounts comprise the consolidated deficiency in reserves of approximately HK$278,978,000 (2018: HK$202,935,000) in the consolidated statement of financial position.*

Consolidated Statement of Changes In Equity (Continued)

For the Year ended 31 March 2019

(a) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(b) Contributed surplus

The contributed surplus arose in the previous years represented the net effect of the capital reduction, the share premium cancellation and the elimination of accumulated losses of the Company. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors of the Company, as at 31 March 2019 and 2018, the Company did not have any reserve available for distribution to shareholders.

(c) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised/repurchased equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds set out in note 4 to the consolidated financial statements.

(d) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(e) Share options reserve

Share options reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy of share-based payments set out in note 4 to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before tax:	**(19,925)**	(36,716)
Adjustments for:		
Finance costs	**–**	188
Interest income	**(534)**	(93)
Loan interest income	**(7,232)**	(5,676)
Depreciation of property, plant and equipment	**361**	549
Amortisation of intangible assets	**1,314**	884
Impairment of financial asset, net	**3,416**	–
Loss on disposal of property, plant and equipment	**532**	–
Fair value change on investment properties	**(129)**	(137)
Share based payment expenses	**–**	4,000
Impairment loss on other receivable	**3,504**	10,005
Operating cash flow before movement in working capital	**(18,693)**	(26,996)
Decrease/(increase) in inventories	**37**	(190)
Increase in loan receivables	**(3,342)**	(4,997)
Increase in trade and factoring loan receivables	**(16,962)**	(16,886)
Decrease in prepayments, deposits and other receivables	**5,667**	11,698
Increase in trade payables	**4,283**	65
Increase/(decrease) in other payables and accrued expenses	**11,707**	(544)
Net cash used in operating activities	**(17,303)**	(37,850)

Consolidated Statement of Cash Flows (Continued)

For the Year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(258)
Bank interest received	534	93
Loan to hospitals	–	(23,279)
Refund of available- For-sale financial assets	–	22,403
Acquisition of investment properties	–	(5,306)
Net cash generated from/(used in) investing activities	534	(6,347)
Cash flows from financing activities		
Interest paid	–	(188)
Subscription of shares	5,400	71,400
Capital attribution from non-controlling interests	1,560	–
Net cash flows generated from financing activities	6,960	71,212
Net (decrease)/increase in cash and cash equivalents	(9,809)	27,015
Effect of foreign exchange rate changes, net	746	4,895
Cash and cash equivalents at beginning of the year	38,997	7,087
Cash and cash equivalents at end of the year	29,934	38,997
Analysis of cash and cash equivalents:		
Cash and bank balances	29,934	38,997

Notes to the Consolidated Financial Statements

For the Year ended 31 March 2019

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, trading of medical equipment and consumables, business factoring service and property investment 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Continued)*

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Continued)*

Basis of consolidation *(Continued)*

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial instruments
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"
HKFRS 15	Revenue from contracts with customers and the related amendments
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration
Annual improvements 2014-2016 cycle	Amendments to HKFRS 1 and HKAS 28

Except as described below, the application of the new and revised standards has had no material impact on the consolidated financial statements.

Application of HKFRS 9

HKFRS 9 and the amendments to HKFRS 9 have replaced HKAS 39 *Financial Instruments Recognition and Measurement*. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 April 2018) on a retrospective basis based on the facts and circumstances and business models that existed as at 1 April 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity as of April 2018.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

Application of HKFRS 9 *(Continued)*

(i) Classification and measurement of financial assets

In general, HKFRS 9 categories financial assets into the following three classification categories:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); and
- fair value through profit or loss (FVTPL).

These classification categories are different from those set out in HKAS 39 which included held to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Details about the Group's accounting policies for its financial assets and financial liabilities are disclosed in the consolidated financial statements. The Group did not designate or de-designate any financial asset at FVTPL at 1 April 2018.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 April 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	Old classification under HKAS 39	New classification under HKFRS 9	Carry amount under HKAS 39	Remeasurement	Carrying amount under HKFRS 9
			HK'000	*HK'000*	*HK'000*
Trade and factoring loan receivables	Loan and receivables	Amortised cost	19,708	(592)	19,116
Loan and interest receivables	Loan and receivables	Amortised cost	93,908	(2,817)	91,091

Notes:

The amount represented additional impairment loss based on the new expected loss model under HKFRS 9.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

Application of HKFRS 9 *(Continued)*

(ii) Impairment

HKFRS 9 has introduced the "expected credit loss model" to replace the "incurred loss" model under HKAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected credit loss model" to the following types of financial assets:

- financial assets that are subsequently measured at amortised cost (including cash and cash equivalents, account receivables and loans receivables); and
- contract assets as defined in HKFRS 15.

The following table is a reconciliation that shows how the closing loss allowance as at 31 March 2018 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 April 2018 determined in accordance with HKFRS 9:

	HK$'000
Additional loss allowance as a result of the application of "expected credit loss model" under HKFRS 9	
– Trade and factoring loan receivables	592
– Loan and interest receivables	2,817
Loss allowance recognised as at 1 April 2018	3,409

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

Application of HKFRS 9 *(Continued)*

(iii) Effect on the Group's retained earnings as of 1 April 2018

The following table shows the impact of the application of HKFRS 9 on the Group's retained earnings and other equity components as of 1 April 2018:

	Decrease in the Group's retained profit
	HK$'000
Recognition of additional expected credit loss recognised	
– Trade and factoring receivables	592
– Loan and interest receivables	2,817
	3,409

Application of HKFRS 15

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Hospital management service;
- Trading of medical equipment and consumables;
- Business factoring; and
- Property investment.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charge to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint venture of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of cash item of property, plant and equipment to residual values over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Classification of financial assets

Accounting policy prior to 1 April 2018

All financial assets are initially measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets held for trading and those designated at fair value through profit or loss) (FVTPL) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of held for trading and FVTPL investments are recognised in profit or loss immediately.

Financial assets that are classified as "loans and receivables" or "held-to-maturity investments" are subsequently measured at amortised cost using an effective interest rate, less impairment.

Available-for-sale (AFS) equity investments are subsequently measured at fair value with changes in fair value being recognised in other comprehensive income accumulated under "AFS investment revaluation reserve". Amounts previously recognised in "AFS investment revaluation reserve" are reclassified to profit or loss upon impairment or disposal.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are subsequently measured at cost less impairment.

Dividends from AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-debt investments are subsequently measured at fair value with changes in fair value being recognised in other comprehensive income accumulated under "AFS investment revaluation reserve" except for (a) interest income measured using the effective interest method and (b) foreign exchange gains or losses determined based on the amortised cost of debt investments are recognised in profit or loss.

Held-for-trading investments and FVTPL assets are subsequently measured at fair value, with changes in fair value being recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Classification of financial assets *(Continued)*

Accounting policy from to 1 April 2018 *(Continued)*

Investments in equity securities (other than investments in subsidiaries, associates and joint ventures)
An investment in equity securities is measured fair value on initial recognition. An investment in equity securities is subsequently measured at FVTPL unless the investment is designated as at fair value through other comprehensive income (FVTOCI) as at date of initial application of HKFRS 9 based on the specific transitional provisions set out in HKFRS 9. Under HKFRS 9, an investment in equity securities can be designated as at FVTOCI on an instrument-by-instrument basis provided that the investment is neither held-for-trading nor contingent consideration recognised by the Group in a business combination to which HKFRS 3 applies.

For investments in equity securities designated as at FVTOCI (as described above), fair value changes are recognised in other comprehensive income and accumulated in the "FVTOCI (equity investment) reserve". Such fair value changes will not be reclassified to profit or loss when the investments are derecognised. However, they will be transferred to the Group's retained earnings when the investments are derecognised.

For investments in equity securities that are held-for-trading or not designated as at FVTOCI (as described above), they are subsequently measured at fair value through profit or loss (FVTPL) such that changes in fair value are recognised in profit or loss.

An investment is equity securities is derecognised when the Group sells the investment.

Investments in debt securities
An investment in debt securities is classified as follows depending on the instruments' contractual cash flow characteristics and the Group's business model for managing the investment:

- Amortised cost when (a) the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding and (b) the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows.

- FVTOCI when (a) the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding and (b) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Classification of financial assets *(Continued)*

Accounting policy from to 1 April 2018 *(Continued)*

- FVTPL when either (a) the contractual terms of the asset give rise on specified dates to cash flows that are not solely payment of principal and interest on the principal amount outstanding or (b) the financial asset is held within a business whose objective is neither (i) collecting contractual cash flows nor (ii) collecting contractual cash flows and selling the financial asset.

For investments in debt securities subsequently measured at FVTOCI, fair value changes are recognised in other comprehensive income and accumulated in the "FVTOCI (debt investment) reserve" except for impairment loss (see below) and foreign exchange gains or losses. Interest income is calculated using the effective interest method and is recognised in profit or loss. When an investment in debt securities is derecognised, the fair value changes previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

An investment is debt securities is derecognised when the Group sells the investment or when the contractual rights to the cash flows from the asset expire.

Transaction costs

Transaction costs directly attributable for the acquisition of financial assets (other than those classified or designated as at FVTPL) are included in the initial measurement of the financial assets. For financial assets subsequently measured at amortised cost, such transaction costs are included in the calculation of amortised cost using the effective interest method (i.e. in effect amortised through profit or loss over the lives of the financial assets). For investments in equity securities at FVTOCI, such transaction costs are recognised in other comprehensive income as part of change in fair value at the next remeasurement. For investments in debt securities classified as FVTOCI, such transaction costs are amortised to profit or loss using the effective interest method (i.e. in effect amortised through profit or loss over the lives of the financial assets).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on financial assets

Accounting policy prior to 1 April 2018

Prior to 1 April 2018, the Group had adopted "incurred loss model" in assessing and measuring impairment losses on financial assets. Under the "incurred loss model", an impairment loss was recognised when there was objective indicators of impairment which included:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technology, market, economic or legal environment that have an adverse effect on the debtor.

Accounting policy from 1 April 2018

The Group has applied the expected credit loss model under HKFRS 9 to the following types of financial assets:

- financial assets that are subsequently measured at amortised cost (including cash and cash equivalents and trade receivables);
- contract assets as defined in HKFRS 15; and
- investments in debt securities that are subsequently measured at FVTOCI;

Expected credit loss (ECL) of a financial asset is measured based on an unbiased and probability-weighted amount. It also reflects the time value of money and reasonable and supportable information that is available to the Group without undue cost or effect at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL is measured on either of the following bases:

- 12-month expected credit loss when, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition; and
- Lifetime expected credit loss when (a) at the reporting date, the credit risk on a financial asset has increased significantly since initial recognition; or (b) at the reporting date, the financial asset has become credit-impaired.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on financial assets *(Continued)*

Accounting policy from 1 April 2018 *(Continued)*

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers quantitative and qualitative reasonable and supportable information that is available to the Group without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Specifically, the following information has been taken into account in assessing whether the credit risk on a financial asset has significantly increased since initial recognition:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception.
- Significant changes in terms of existing financial assets if the asset was newly originated or issued at the reporting date.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
- An actual or expected significant change in the financial instrument's external credit rating.
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations (e.g. actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates).
- Actual or expected significant change in the operating results of the borrower.
- Significant change in the quality of guarantee provided.
- Contractual cash flows are more than 30s past due.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on financial assets *(Continued)*

Accounting policy from 1 April 2018 *(Continued)*

In making the abovementioned assessment, the Group considers that a default occurs when (a) it is unlikely that the borrower will be able to settle his/her debts in full and (b) the financial asset is more than 90 days past due.

ECL is remeasured at the end of each reporting period to reflect changes in financial asset's credit risk since initial recognition. Changes in ECL are recognised in profit or loss with the corresponding adjustment to the carrying amount of the asset through a loss allowance account, except for investments in debt securities that are subsequently measured at FVTOCI for which the corresponding adjustment is recognised in other comprehensive income and accumulated in "FVTOCI (debt investment) reserve".

For trade receivables and contract assets without significant financing component, ECL is always measured at an amount equal to lifetime expected credit losses.

At the end of each of the reporting period, the Group assesses whether its financial assets have become credit impaired.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the debtor is unable to settle the debts in full or part of the debts

Trade and other receivables

Accounting policy prior to 1 April 2018

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect the amounts due.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables *(Continued)*

Accounting policy from 1 April 2018 *(Continued)*

Trade receivables are recognised when the Group has an unconditional right to receive consideration. The Group has an unconditional right to receive consideration when only the passage of time is required before payment of the consideration is due.

For the Group's trade receivables, ECL is always measured at an amount equal to lifetime expected credit losses. In particular, ECL is estimated using a provision of matrix based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular debtors and (b) forward-looking information based on the current and forecast general economic conditions available to the Group without undue cost or effort at the reporting date. ECL is recognised in profit or loss with the corresponding adjustment to the carrying amount of the trade receivables through a loss allowance account.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the debtor is unable to settle the debts in full or part of the debts.

Contract assets and contract liabilities

Accounting policy from 1 April 2018

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration rom the customer.

For a single contract with a customer, either a net contract asset or a net contract liability is presented. Contracts assets and contract liabilities arising from unrelated multiple contracts are not presented on a net basis.

As mentioned in Note 3, the Group has applied HKFRS 15 for the first time for the current year using the cumulative effect transition method. Adjustments were made as at 1 April 2018 to reclassify certain amounts from "trade and other receivables" and "gross amount due from customers" to "contract assets" and certain amounts from 'trade and other payables" and "gross amount due to customers" to "contract liabilities".

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets and contract liabilities *(Continued)*

Accounting policy from 1 April 2018 *(Continued)*

For the Group's contract assets, ECL is always measured at an amount equal to lifetime expected credit losses. In particular, ECL is estimated using a provision of matrix based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular customers available and (b) forward-looking information based on the current and forecast general economic conditions at the reporting date. ECL is recognised in profit or loss with the corresponding adjustment to the carrying amount of the contract assets through a loss allowance account.

The Group directly reduces the gross carrying amount of a contract asset when the Group has no reasonable expectations of recovering a contract asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the Group is unable to recover the costs.

Financial liabilities

Accounting policy prior to 1 April 2018

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Accounting policy prior to 1 April 2018 *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

Accounting policy from 1 April 2018

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Accounting policy from 1 April 2018 *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Accounting policy from 1 April 2018 *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including assets similar in nature to cash, which are not restricted as to use.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

a) service income is recognised when the services are rendered;

b) revenue from trading of goods is recognised when goods are delivered to the Group's customers. Delivery does not occur until the products have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer; and

c) interest income from banks and independent third parties, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expenses in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to advisors/consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF 3Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

All borrowing costs are expensed in the period which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. HK$) of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency translation reserve).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or disposal involving loss of control over subsidiaries that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Going concern basis

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statements. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date of the financial statement. The degree of consideration depends on the facts in each case. Management believes that the Group is able to continue as a going concern after taking into account the measures, financial supports and the future profitable operations. Accordingly, management has prepared the consolidated financial statements on a going concern basis. An adverse change in any of the above conditions would require the consolidated financial statements to be prepared on an alternative authoritative basis and such basis, together with the fact that the consolidated financial statements is not prepared on a going concern basis, would need to be disclosed. If the Group was unable to continue as a going concern, adjustments relating to the recoverability and classification of recorded asset amounts or classification of liabilities may need to be incorporated into the consolidated financial statements.

Loss allowance for ECL

The Group's management estimates the loss allowance for trade receivables and loan receivable based on risk of a default and expected loss rate. The assessment of the credit risk involves high degree of estimation and uncertainty as the Group's management estimates the risk of a default and expected loss rate for applying provision matrix on debtors based on the Group's historical information, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

Impairment of intangible assets

The Group tests whether intangible assets which have finite useful lives have suffered any impairment whenever there is any indication that the assets have been impaired. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates. In determining the value-in-use, expected cash flows generated from the use of the contractual rights are discounted to their present value, which requires significant judgement relating to the level of volume of game console being sold, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Had the actual results been different from the management's estimate, such difference will impact the carrying value of intangible assets in the year in which such determination is made.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company (i.e. issued share capital and reserves).

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through adjusting the new share issues, share buy-back and the issue of new debt or the redemption of existing debt or sell assets to reduce debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Amortised cost:	**182,039**	–
Loans and receivables:	**–**	187,225
Financial liabilities		
Amortised cost:	**77,002**	61,541

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and factoring loan receivables, loan receivables deposits and other receivables, available-for-sale financial assets, cash and bank balances and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2019	2018
	HK$'000	*HK$'000*
RMB	**117,581**	119,615

At 31 March 2019, if RMB had strengthened/weakened by 10% against HK$ with all other variables held constant, post-tax profit/loss after tax for the year would have been HK$11,758,000 higher/lower (2018: HK$11,962,000 higher/lower), mainly as a result of foreign exchange gains/ losses on translation of RMB denominated other receivables.

In the opinion of directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

The carrying amounts of trade and other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 March 2019 and 2018, all bank balances were deposited in reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties. Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that outstanding trade receivables are collected on a timely basis. Trade receivables are subject to the expected credit loss model. The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

The credit quality of the other receivables excluding deposits and prepayments have been assessed with reference to historical information about the counterparties' default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables excluding deposits and prepayments is assessed to be close to zero and no provision was made as of 31 March 2019 and 2018.

The Group only trades with recognised and creditworthy third parties. As at 31 March 2019, the Group has concentration of credit risk of 26% (2018: 69%) and 86% (2018: 100%) as the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. However, receivable balances are monitored on an ongoing basis, the directors of the Company review the recoverable amount of each individual trade debt and loan regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019			2018		
	Less than 1 year or on demand	**1-5 years**	**Total**	Less than 1 year or on demand	1-5 years	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade payables	**4,363**	**–**	**4,363**	80	–	80
Other payables and accrued expenses	**72,639**	**–**	**72,639**	61,461	–	61,461
	77,002	**–**	**77,002**	61,541	–	61,541

(c) Fair value and fair value hierarchy

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the consolidated statement of financial position The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value and fair value hierarchy *(Continued)*

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

8. 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 three reportable operating segments as follows:

– Hospital management service;

– Trading of medical equipment and consumables;

– Business factoring; and

– Property investment

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

8. OPERATING SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by operating segments for the year ended 31 March 2019 and 2018:

For the year ended 31 March 2019	Hospital management service	Trading of medical equipment and consumables	Business factoring	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
Revenue from external customers	9,882	16,928	4,203	1,170	32,183
Segment results	2,644	(1,262)	2,139	(142)	3,379
Reconciliation:					
Interest income and unallocated income					91
Corporate and other unallocated expenses					(23,395)
Loss before tax					(19,925)
Depreciation and amortisation	1,347	52	–	–	1,399
Reconciliation:					
Unallocated depreciation and amortisation					637
					2,036

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

8. OPERATING SEGMENT INFORMATION *(Continued)*

For the year ended 31 March 2018	Hospital management service	Trading of medical equipment	Business factoring	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
Revenue from external customers	8,669	13,786	1,792	24,247
Segment results	2,340	701	10	3,051
Reconciliation:				
Interest income and unallocated income				888
Corporate and other unallocated expenses				(40,655)
Loss before tax				(36,716)
Depreciation and amortisation	892	58	–	950
Reconciliation:				
Unallocated depreciation and amortisation				483
				1,433

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

8. OPERATING SEGMENT INFORMATION *(Continued)*

The following table is an analysis of the Group's assets and liabilities and other segment information as at 31 March 2019 and 2018:

For the year ended 31 March 2019

	Hospital management service *HK$'000*	Trade of medical equipment and consumables *HK$'000*	Business factoring *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment assets	91,369	85,982	13,547	17,800	208,698
Corporate and other unallocated assets					6,543
Total assets					215,241
Segment liabilities	9,875	8,313	4,449	4,455	27,092
Corporate and other unallocated liabilities					56,104
Total liabilities					83,196

For the year ended 31 March 2018

	Hospital management service *HK$'000*	Trade of medical equipment *HK$'000*	Business factoring *HK$'000*	Total *HK$'000*
Segment assets	94,024	67,177	18,606	179,807
Corporate and other unallocated assets				45,474
Total assets				225,281
Segment liabilities	4,121	1,326	1,577	7,024
Corporate and other unallocated liabilities				57,197
Total liabilities				64,221

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

8. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

For the years ended 31 March 2019 and 2018, 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 2019, the Group had transactions with 2 (2018: 2) customers who contributed over 10% of the Group's total net revenue, which is summarised below:

	2019	2018
	HK$'000	*HK$'000*
Customer 1	**8,440**	16,615
Customer 2	**N/A***	4,794
Customer 3	**5,472**	–
	13,912	21,409

* The corresponding revenue did not contribute over 10% of the total sales of the Group during the year ended 31 March 2019.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

9. 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:

	2019	2018
	HK$'000	*HK$'000*
Revenue:		
Income from provision of hospital management services *(note)*	9,883	8,669
Trading of medical equipment and consumables	16,929	13,786
Business factoring	4,201	1,792
Rental income	1,170	–
	32,183	24,247

Note: The amount comprises (a) the management fee income from Shuangluan Hospital of approximately HK$8,249,000 (2018: approximately HK$6,661,000); (b) the management fee income from Anping Bo'ai Hospital of approximately HK$1,278,000 (2018: HK$962,000); and (c) the management fee income from the Red Cross Hospital of Luanping County of approximately HK$356,000 (2018: HK$793,000); There was no operation right income from Dingnan Chinese Medicine Hospital during the year (2018: HK$253,000).

10. OTHER INCOME/IMPAIRMENT OF FINANCIAL ASSETS, NET

	2019	2018
	HK$'000	*HK$'000*
(i) Other income		
Exchange gain	–	59
Loan interest income	7,232	5,676
Interest income	534	93
Rental income	–	1,179
Sundry income	704	1
	8,470	7,008
(ii) Impairment of financial assets, net		
Impairment loss of loan and interest receivables	(134)	–
Impairment loss of trade and factoring loan receivables	(3,282)	–
	(3,416)	–

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

11. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Interest on other borrowing	–	188

12. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2019 *HK$'000*	2018 *HK$'000*
Auditors' remuneration	**780**	700
Depreciation of property, plant and equipment	**361**	549
Loss on disposal of property, plant and equipment	**532**	–
Amortisation of intangible assets	**1,314**	884
Rental expenses in respect of office premises	**2,496**	6,119
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**14,478**	18,424
– Contributions to defined contribution retirement plans	**278**	400

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

13. 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% (2018: 25%).

	2019	2018
	HK$'000	*HK$'000*
Current tax- PRC		
Provision for the year	**3,088**	2,530

A reconciliation of the tax expense applicable to loss before tax at the statutory rates of the PRC, where the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(19,925)**	(36,716)
Tax at the statutory rate in the PRC of 25%	**(4,981)**	(9,179)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**2,034**	3,381
Tax effect of non-taxable income	**(161)**	(1,381)
Tax effect of non-deductible expenses	**1,255**	983
Tax losses not recognised	**4,941**	8,726
Tax charge for the year	**3,088**	2,530

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the directors of the Company were as follows:

Year ended 31 March 2019

	Note	Directors' fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EXECUTIVE DIRECTORS					
Mr. Weng Yu		–	562	–	562
Mr. Wang Yongqing	c	–	320	–	320
Mr. Chung Ho		–	1,650	18	1,668
Mr. Wang Jingming		–	1,650	–	1,650
Mr. Zhang Fan		–	1,350	–	1,350
NON-EXECUTIVE DIRECTORS					
Mr. Ying Wei	d	8	–	–	8
Mr. Zhang Song	d	8	–	–	8
Mr. Xing Yong		300	–	–	300
Mr. Wang Zili	e	28	–	–	28
Mr. Wang Yuexiang		100	–	–	100
Mr. Li Xuguang	e	28	–	–	28
Mr. Huang Lianhai		100	–	–	100
Mr. Qiu Peiyuan	f	83	–	–	83

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

Directors' emoluments *(Continued)*

Year ended 31 March 2019 *(Continued)*

	Note	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Mr. Xiao Zuhe		120	–	–	120
Mr. Wang Qingyou	g	118	–	–	118
Ms. Yang Huimin	g	8	–	–	8
Mr. Xin Hua	g	–	–	–	–
Mr. Jiang Xuejun		100	–	–	100
Mr. Du Yanhua	b	100	–	–	100
Mr. Lai Liangquan	g	–	–	–	–
		1,101	5,532	18	6,651

No director had waived any emoluments during the years ended 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

Directors' emoluments *(Continued)*

Year ended 31 March 2018

	Note	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
EXECUTIVE DIRECTORS					
Mr. Weng Yu		–	600	–	600
Mr. Wang Jingming		–	1,800	–	1,800
Mr. Chung Ho		–	1,800	18	1,818
Mr. Wang Yongqing		–	960	–	960
Mr. Zhang Fan		–	1,800	–	1,800
NON-EXECUTIVE DIRECTORS					
Mr. Xing Yong		100	–	–	100
Mr. Wang Zili		100	–	–	100
Mr. Wang Yuexiang		100	–	–	100
Mr. Li Xuguang		100	–	–	100
Mr. Huang Lianhai	a	69	–	–	69
Mr. Ying Wei		100	–	–	100
Mr. Zhang Song		100	–	–	100
Ms. Wei Changying	a	21	–	–	21
Mr. Wang Xiaolin	a	21	–	–	21
Mr. Ma Zhaorui	a	68	–	–	68
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Mr. Xiao Zuhe		120	–	–	120
Mr. Wang Qingyou		120	–	–	120
Mr. Xin Hua		100	–	–	100
Mr. Jiang Xuejun		100	–	–	100
Mr. Du Yanhua	b	28	–	–	28
Mr. Zou Lian		119	–	–	119
Ms. Yang Huimin		100	–	–	100
Mr. Liang Qi	a	27	–	–	27
		1,493	6,960	18	8,471

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

Directors' emoluments *(Continued)*

Notes:

a) Mr. Huang Lianhai and Mr. Ma Zhaorui have been appointed as director of the Company and Ms. Wei Changying, Mr. Wang Xiaolin and Mr. Liang Qi have been removed from directors of the Company on 25 July 2017.

b) Mr. Du Yanhua has been appointed as an independent non-executive director of the Company with effective from 11 December 2017.

c) Mr. Wang Yongqing has been removed from director of the Company on 13 July 2018.

d) Mr. Ying Wei and Mr Zhang Song resigned from non-executive directors of the Company effective from 7 May 2018.

e) Mr. Wang Zili and Mr. Li Xugxiang resigned from non-executive directors of the Company with effective from 13 July 2018.

f) Mr. Qiu Peiyuan has been appointed as non-executive director of the Company effective from 6 April 2018.

g) Mr. Yang Huimin, Mr. Wang Qingyou and Mr. Xiu Hua have been resigned from independent non-executive director of the Company with effective from 7 May 2018, 23 August 2018 and 14 December 2018 and Mr. Lai Liangquan has been appointed as an independent non-executive director of the Company with effective from 5 March 2019.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

Directors' emoluments *(Continued)*

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2018: four) were directors of the Company whose emoluments are presented above. The emoluments of the remaining two individuals in 2019 (2018: one individual) were as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,690**	960
Contributions to retirement benefit schemes	**18**	18
	1,708	978

The number of highest paid employees that are not directors of the Company whose remuneration falls within the following bands is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to 1,500,000	**1**	–

No emoluments have been paid or payable by the Group to any of the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

15. LOSS PER SHARE

	2019	2018
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:	**(23,081)**	(39,246)

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year	**4,055,334**	3,565,153
Effect of convertible bonds	**–**	400,000
Weighted average number of ordinary shares for the purpose of calculating loss per share	**4,055,334**	3,965,153

(a) Basic loss per share

For the year ended 31 March 2019, the calculation of basic loss per share amount is based on the net loss for the year of approximately HK$23,081,000 (2018: approximately HK$39,246,000) attributable to the equity holders of the Company, and weighted average of approximately 4,055,334,000 (2018: approximately 3,965,153,000) 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Furniture fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 April 2017	1,245	378	1,623
Addition	–	258	258
Exchange realignment	–	40	40
At 31 March 2018 and 1 April 2018	**1,245**	**676**	**1,921**
Written off	**(1,245)**	**–**	**(1,245)**
Exchange realignment	**–**	**(32)**	**(32)**
At 31 March 2019	**–**	**644**	**644**
Accumulated depreciation:			
At 1 April 2017	91	25	116
Provided for the year	415	134	549
Exchange realignment	–	6	6
At 31 March 2018 and 1 April 2018	**506**	**165**	**671**
Provided for the year	**207**	**154**	**361**
Disposal	**(713)**	**–**	**(713)**
Exchange realignment	**–**	**(6)**	**(6)**
At 31 March 2019	**–**	**313**	**313**
Net carrying values			
At 31 March 2019	**–**	**331**	**331**
At 31 March 2018	739	511	1,250

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

17. INTANGIBLE ASSETS

	Operating right for hospital	Distribution right for selling cooling systems	Total
	HK$'000	*HK$'000*	*HK$'000*
	(note i)	*(note ii)*	
Cost			
At 1 April 2017	16,919	53,503	70,422
Exchange realignment	1,585	–	1,585
At 31 March 2018 and at 1 April 2018	18,504	53,503	72,007
Exchange realignment	(960)	–	(960)
At 31 March 2019	17,544	53,503	71,047
Accumulated amortisation and impairment			
At 1 April 2017	423	53,503	53,926
Amortisation	884	–	884
Exchange realignment	99	–	99
At 31 March 2018 and at 1 April 2018	1,406	53,503	54,909
Amortisation	1,314	–	1,314
Exchange realignment	132	–	132
At 31 March 2019	2,852	53,503	56,355
Carrying amounts			
At 31 March 2019	14,692	–	14,692
At 31 March 2018	17,098	–	17,098

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

17. INTANGIBLE ASSETS *(Continued)*

(i) The operating right of hospital was acquired from an independent third party during the year ended 31 March 2017. Pursuant to the operating rights agreement, the Group is entitled to share certain percentage of income generated from hospital and bear the agreed cost. The useful life of the operating rights of hospital was 20 years.

(ii) Subsequent to the completion of the acquisition of Anew Capital Limited and its subsidiaries (together, the "Anew Group") by the Group in late 2012, Anew Group, in cooperation with Beijing Oriental Capital Technology Company Limited ("Oriental Capital"), which has entered into a cooperative agreement with Anew Group for cooperation of selling and distributing Voith Turbo's cooling systems in the PRC, have invested various resources in marketing and promoting the cooling systems in the railway industry in the PRC and strived for being a qualified supplier of cooling systems for high-speed trains recognised by the Ministry of Railway ("MOR") in the PRC, which was originally responsible for both policy planning and management of the operation of the railway system in the PRC.

In March 2013, nevertheless, the State Council announced an institutional reform and transformation program for the railway industry, pursuant to which MOR's railway planning and policy making functions are entrusted to the Ministry of Communications ("MOC"), its other administrative functions rest with a new organisation, the State Railways Administration ("SRA"), while MOR's commercial activities are being passed and transferred over to the China Railways Corporation ("CRC") newly established then. According to the State Council's program, CRC shall transport passengers and freight, and be responsible for operating and managing the country's rail network. CRC shall draft investment plans for railway construction, and put forward to the government proposals to fund and build the lines. CRC shall also be responsible for implementing railway projects and be accountable, as the main responsible body, for safety. MOR no longer exists after such reform. Since the institutional reform for the railway industry, the railway construction and investment policy have been going through significant adjustments. To the best knowledge and information of the Directors, there is no increase in new orders of high-speed trains while a few of orders for some models have been suspended and no new suppliers of cooling systems have been approved by CRC since the industry reform. Up till now, Anew Group has not attained the qualification as an approved supplier of cooling systems for high-speed trains yet. As a result, no revenue from the cooling system distribution business has been recorded by the Group since completion of the acquisition of Anew Capital Limited by the Group.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

18. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
Fair value		
Completed investment properties *(Note)*	**17,800**	18,875

Note: The Group's investment properties located in the PRC with the aggregate carrying amount of HK$17,800,000 (2018: HK$18,875,000) are property interests under operating leases, and are classified and accounted as investment property.

Movement of the Group's investment properties during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 April	**18,875**	–
Additions	–	5,306
Transfer from prepayment for acquisition of properties	–	12,380
Fair value gain	**129**	137
Exchange realignment	**(1,204)**	1,052
At 31 March 2019	**17,800**	18,875

The Group's investment properties include 3 commercial building (with leasehold land element) located in the PRC. The fair values of the Group's investment properties as at 31 March 2019 have been arrived at on the basis of a valuation carried out on the respective dates by APAC Appraisal and Consulting Limited, an independent valuers not related to the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

18. INVESTMENT PROPERTIES *(Continued)*

For fair value measurements of investment properties, details of valuation techniques and significant inputs are shown below.

	Valuation technique(s) and key inputs	**Significant unobservable input(s)**	**Sensitivity**
3 commercial building (with leasehold land located in the PRC)	Direct comparison approach Key inputs: unit price per square foot	Unit price per square foot, taking into account the differences in location, and individual factors, such as age and size, at an average of HK$2,403 (2018: HK$2,534) per square foot.	A slight increase in the unit price per square foot would result in a significant increase in fair value, and vice versa.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

19. LOAN AND INTEREST RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Loan receivables – secured *(note)*	6,190	6,246
Loan receivables – unsecured	87,261	87,662
	93,451	93,908
Presented as		
– current liabilities	68,089	11,867
– non-current liabilities	25,362	82,041
	93,451	93,908

Note: As at 31 March 2019, the secured loan receivable of approximately HK$6,190,000 (2018: HK$6,246,000) was guarantee by the director of the borrower.

The Group's loan receivables are recoverable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	68,089	11,867
After 1 year but within 2 years	23,795	82,041
After 2 years but within 5 years	1,567	–
	25,362	82,041
	93,451	93,908

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

19. LOAN AND INTEREST RECEIVABLES *(Continued)*

The above loan receivables are subject to the fulfilment of covenants specified in the related loan agreements. If the counterparties were to breach the covenants, the loan receivables would become repayable on demand. As at 31 March 2019 and 2018, none of the covenants were breached.

Movement of loan receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
As at 1 April	**93,908**	58,858
Initial application on HKFRS 9	**(2,817)**	–
Restated as at 1 April	**91,091**	58,858
Additions	**12,429**	28,276
Repayment	**(4,672)**	–
Impairment allowance	**(134)**	–
Exchange realignment	**(5,263)**	6,774
As at 31 March	**93,451**	93,908

The following table shows effective interest rate of various borrowings of the Group:

	2019		2018	
	Effective interest rate	**Carrying amount**	Effective interest rate	Carrying amount
	%	***HK$'000***	*%*	*HK$'000*
Fixed rate:				
Loan receivables	**8**	**2,303**	8	1,873
Loan receivables	**7**	**76,917**	7	12,469
Loan receivables	**10**	**14,231**	10	79,566
		93,451		93,908

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

20. INVENTORIES

	2019 *HK$'000*	2018 *HK$'000*
Finished goods	**164**	201

21. TRADE AND FACTORING LOAN RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade and factoring loan receivables:		
Commercial business factoring	**819**	1,645
Trade of medical equipment and consumables	**12,708**	7,165
Hospital management	**17,253**	10,898
Property investment	**2,016**	–
	32,796	19,708

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 and consumables business is with credit terms of 90 days.

(iii) Provision of business factoring services is with credit terms of 30 days.

(iv) Income from investment property is with credit term 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:

	2019 *HK$'000*	2018 *HK$'000*
Within 1 month	**9,128**	13,048
1 – 3 month	**4,965**	654
Over 3 month	**18,703**	6,006
	32,796	19,708

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

21. TRADE AND FACTORING LOAN RECEIVABLES *(Continued)*

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

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**4,724**	–
91 – 180 days	**1,422**	3,269
Over 180 days	**13,297**	2,737
	19,443	6,006

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

Movement in the allowance for bad and doubtful debts:

	2019	2018
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	–
Adoption of HKFRS 9	**(592)**	–
Expected credit loss	**(3,282)**	–
Balance at end of the year	**(3,874)**	–

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments *(note v)*	**215**	632
Deposits	**239**	5,201
Other receivables *(note i, ii iii and iv)*	**25,619**	29,411
Current portion of prepayment, deposit and other receivables	**26,073**	35,244

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) During the year ended 31 March 2018, the Group was fully recover the deposit paid into the court.

(ii) Included in the Group's prepayment, deposits and other receivables was an earnest money paid for the possible acquisition with a total gross 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 into a framework agreement (the "Framework Agreement") for the possible acquisition on 30 April 2015. Pursuant to the Framework Agreement, the Company 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 approval of consolidated financial statements, no conclusion on the settlement of the Earnest Money has been reached by the parties to the Framework Agreement yet.

During the year ended 31 March 2018, the management consider the Earnest Money was not recoverable and fully impaired.

(iii) As at 31 March 2018, approximately RMB10,000,000 (equivalent to approximately HK$12,492,000) were a loan to independent third party. The loan is unsecured, interest-free and recoverable within one year. The loan was fully recover during the year ended 31 March 2019.

(iv) As at 31 March 2019, approximately HK$12,708,000 were the loan interest from loan to Shuangluan Hospital. As at 31 March 2018, approximately HK$13,619,000 were the loan interest from loans to Shuangluan Hospital, Anping Bo'ai Hospital and the Red Cross Hospital of Luanping County.

(v) As at 31 March 2018, approximately RMB3,000,000 (equivalent to approximately HK$3,749,000) were a security deposit to Yueyang City Baling Hospital Company Limited ("Baling Hospital"). The deposit approximately RMB3,000,000 (equivalent to approximately HK$3,504,0000) was fully impaired during the year ended 31 March 2019.

As disclosed in the announcement of the Company dated 12 December 2017, the Company entered into an agreement (the "Agreement") for (i) granted the right to manage Baling Hospital for the period of one year from 1 January 2018; and (ii) the Company shall have an exclusive right during the period of 6 months from the date of the Agreement to perform due diligence review on and negotiate with the owners of the building hospital on the possible acquisition of a 51% equity interest in Baling Hospital.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

23. CASH AND BANK BALANCES

The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
RMB	**25,597**	23,228
HK$	**4,319**	7,650
US$	**18**	8,119
	29,934	38,997

The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

24. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**4,363**	80

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

Within 1 months	**4,342**	59
1-3 months	**–**	–
Over 3 months	**21**	21
	4,363	80

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

25. OTHER PAYABLES AND ACCRUED EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Other payable *(note i and ii)*	**48,917**	51,870
Accruals	**14,716**	4,896
Amounts due to de-consolidated subsidiaries *(note iii)*	**9,006**	4,695
Deposit received	**529**	–
	73,168	61,461

Notes:

(i) As at 31 March 2019, approximately US$4,000,000 (equivalent to approximately HK$30,894,000) (2018: US$4,000,000 (equivalent to approximately HK$30,894,000)) were a dividend payable on redeemable convertible cumulative preference shares.

(ii) As at 31 March 2019, approximately HK$9,864,000 (2018: HK$9,864,000) were interest on liability component of convertible bonds.

(iii) The amounts due to de-consolidated subsidiaries are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

26. SHARE CAPITAL

	Notes	No of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.1 each At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019		100,000,000,000	10,000,000
Issued and fully paid:			
At 1 April 2017		3,219,947,634	321,995
Subscription of shares	*(i)*	420,000,000	42,000
At 31 March 2018 and 1 April 2018		**3,639,947,634**	**363,995**
Issue of shares upon conversion of the convertible bonds	*(ii)*	**400,000,000**	**40,000**
Subscription of shares	*(iii)*	**54,000,000**	**5,400**
At 31 March 2019		**4,093,947,634**	**409,395**

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

26. SHARE CAPITAL *(Continued)*

Notes:

(i) On 5 June 2017, pursuant to the placing and subscription agreement dated 10 May 2017, 420,000,000 ordinary shares of HK$0.1 each were allotted and issued at the market price of HK$0.17 per share. The net proceeds from the placing are approximately HK$71,300,000. The Company intends to apply approximately HK$40,000,000 for the development of finance leasing business of the Group and the balance for general working capital purpose.

(ii) 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$224,400,000.

On 2 November 2018 and 25 March 2019, convertible notes with principal amount of HK$39,000,000 and HK$21,000,000 were converted into 260,000,000 and 140,000,000 shares by Pacas and Zheng Hua respectively. There was no outstanding CN as at 31 March 2019.

(iii) On 11 September 2018, the Company and the Trustee entered into the subscription agreement in relation to subscription of 100,000,000 ordinary shares of HK$0.10 per share. The gross proceeds from the placing are approximately HK$10,000,000.

On 17 December 2018, an aggregate of 54,000,000 subscription shares were successfully allotted and issued to subscriber. The net proceeds of approximately HK$5,000,000 will be used for future business development, investment and general working capital purposes.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	–	–
Property, plant and equipment	49	848
Other receivables	–	11,486
	49	12,334
CURRENT ASSETS		
Prepayments, deposits and other receivables	12,768	2,420
Amount due from subsidiaries *(note a)*	32,501	33,997
Cash and bank balances	3,191	13,159
	48,460	49,576
CURRENT LIABILITIES		
Other payables and accrued expenses	54,346	52,764
NET CURRENT LIABILITIES	(5,886)	(3,188)
NET (LIABILITIES)/ASSETS	(5,837)	9,146
EQUITY		
Issued capital	409,395	363,995
Reserves *(note b)*	(415,232)	(354,849)
Total equity	(5,837)	9,146

Approved and authorised for issue by the Board of Directors on 28 June 2019

Zhang Fan	**Chung Ho**
Director	*Director*

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) The changes in equity of the Company are as follow:

	Share capital	Share premium	Contributed surplus	Convertible bonds reserve	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	321,995	476,558	57,124	60,000	–	(817,243)	98,434
Loss for the year	–	–	–	–	–	(164,688)	(164,688)
Grant of Share option	–	–	–	–	4,000	–	4,000
Subscription of Shares	42,000	29,400	–	–	–	–	71,400
At 31 March 2018 and at 1 April 2018	**363,995**	**505,958**	**57,124**	**60,000**	**4,000**	**(981,931)**	**9,146**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(20,383)**	**(20,383)**
Issue of shares upon conversion of the convertible bonds	**40,000**	**20,000**	**–**	**(60,000)**	**–**	**–**	**–**
Subscription of Shares	**5,400**	**–**	**–**	**–**	**–**	**–**	**5,400**
At 31 March 2019	**409,395**	**525,958**	**57,124**	**–**	**4,000**	**(1,002,314)**	**(5,837)**

28. SHARE OPTIONS SCHEME

The Company operated a share option scheme which was expired on 7 April 2012 (the "Old Scheme") and a new share option scheme (the "New Scheme") was approved by the shareholders of the Company on 28 August 2012.

Pursuant to the Old Scheme, the exercise period of options shall not beyond the ten year period after the date of adoption of the Old Scheme while the exercise period of Options granted under the New Scheme shall not expire later than 10 years from the date on which the Board resolves to make an offer. Save for the abovementioned difference in exercise period, certain conditions in respect of the lapse of options and other necessary modifications and/or amendments made pursuant to the Listing Rules, there are no material differences between the terms of the Old Scheme and the New Scheme.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

28. SHARE OPTIONS SCHEME *(Continued)*

Under the New Scheme, the Board of Directors of the Company may grant options to eligible officers and employees, including the directors of the Company and its subsidiaries ("Eligible Persons"), to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties who (i) have previously been and continue to be retained by the Group to provide business, legal or tax consultancy services or other professional services, whose expertise is valuable to the business development of the Group; or (ii) introduce investment opportunities to the Group; or (iii) contribute by way of introduction of new business to the Group.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other schemes of the Company is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The Company may seek approval by the Company's shareholders in general meeting for granting options beyond the 10% limit, provided that the options in excess of the limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought. The maximum number of options that can be granted by the Company to the Eligible Persons has been refreshed to 10% of number of shares in issue. The total number of the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme of the Company must not exceed 30% of the shares of the Company in issue from time to time.

The number of share in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the options, the Eligible Person shall pay HK$1 to the Company by way of consideration for the grant. Options may be exercises at any time from the date of grant to the expiry date of the New Scheme. The exercise price is determined by the directors of the Company, and shall be the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

The outstanding share options as at 31 March 2018 was granted on 19 May 2017 with exercisable period from 19 May 2017 to 18 May 2022 and exercise price of HK$0.18.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

28. SHARE OPTIONS SCHEME *(Continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2018 and 31 March 2019:

	2019		2018	
	Weighted average *Exercise price in HK$*	***No of share option***	Weighted average *Exercise price in HK$*	*No of share option*
At 1 April	**0.18**	**50,000,000**	–	–
Granted during the year	**–**	**–**	0.18	50,000,000
Lapsed during the year	**–**	**–**	–	–
At 31 March	**0.18**	**50,000,000**	0.18	50,000,000

29. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payables as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**1,344**	4,697
In the second to fifth years inclusive	**516**	1,895
	1,860	6,592

Operating lease payments represent rentals payable by the Group for certain of its office properties.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

29. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

The Group leases certain office premises under operating lease arrangement, with lease terms of within ten years. At the end of each reporting period, the Group has future minimum rental receivable under non-cancellable operating lease falling due as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**1,403**	1,200
In the second to fifth years inclusive	**5,614**	4,800
Over five years	**3,859**	4,500
	10,876	10,500

30. RELATED PARTY TRANSACTIONS

In addition to the transactions details elsewhere in the consolidated financial statements, the Group entered into the following related party transactions with related parties during the year:

Compensation of key management personnel of the Group are set out in note 14 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

31. LITIGATIONS

(a) 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 (the "Announcements").

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

31. LITIGATIONS *(Continued)*

(a) *(Continued)*

Further to a demand received by the Company (the "Demand") and upon internal investigation, the Company believes that the US$4 million in connection with HCMP2593/2016 as set out in the Announcements belongs to the Company on the following grounds: (1) that the agreement dated 23 November 2012 between the Company and Capital Foresight Limited (the "Agreement") executed by Dr. Li, a then executive director and chairman of the Company and removed on 18 June 2016, was purportedly entered into in breach of Dr. Li's fiduciary duties and without authority, and Capital Foresight Limited was knowingly complicit in this arrangement; (2) that the loan note dated 1 August 2015 and issued by the Company (under its former name China Healthcare Holdings Limited) (the "Loan Note"), executed by Dr. Li purportedly on behalf of the Company in favour of Li Hong was purportedly entered into in breach of Dr. Li's fiduciary duties, without authority and inconsistent with the Company's articles of association; and (3) the Agreement and the Loan Note were and are void or voidable and unenforceable. On 7 November 2017, a writ of summons under action number HCA 2549/2017 has been issued in the High Court of the Hong Kong Special Administrative Region by the Company against Dr. Li as 1st Defendant, Capital Foresight Limited as 2nd Defendant and Li Hong as 3rd Defendant. Pursuant to the writ, the Company is seeking, amongst others, the following reliefs against the defendants: (i) a declaration that the agreement dated 23 November 2012 between the Company and Capital Foresight Limited executed by Dr. Li is void or voidable and unenforceable; and (ii) a declaration that the loan note dated 1 August 2015 and issued by the Company is void or voidable and unenforceable. Please also refer to the announcement of the company dated 8 November 2017. Since the announcement acknowledgement of service is and statement of claim were filed in December 2017. Pursuant to a court order, this action has been consolidated with the action described in below paragraph and is currently in the pleadings stage. On 24 November 2017 and in connection with the Demand, the Company received a writ of summons dated 9 November 2017 claiming for an order directing the Company to forthwith issue in favour of Capital Foresight Limited or its nominee a promissory note of US$4,000,000 pursuant to the Agreement, or alternatively US$4,000,000, interest and costs. Pursuant to an order, this action has been consolidated with the action described above. The parties have exchanged witness statements in January 2019. Pursuant to an Order, the Company filed its Amended Writ of Summons and Statement of Claim in this action. The Defendants have filed their respective Defence and Counterclaim (if any). The Company will file its Amended Reply in due course, pending the determination of separate specific discovery application. The next Case Management Summons hearing is scheduled to be heard on 8 July 2019.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

31. LITIGATIONS *(Continued)*

(b) 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. On 31 March 2017, the Administrative Lawsuit has been discontinued by the Company. 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. A judgment in respect of the Civil Lawsuit II was obtained on 12 September 2017. Dongcheng District Court supported the request by Zhongwei Kanghong in Civil Lawsuit II. On 22 June 2018, business registration for such changes has been completed and the business licence has been obtained.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 26 April 2019, 321,994,763 share options were granted to certain eligible participants under the Share Option Scheme with an exercise price of HK$0.18 per option and the validity period of ten years from the date of grant. The fair value of share option expense will be charged to profit and loss and the corresponding amount will be credited to share option reserve. Details of which are set out in the Company's announcement dated 26 April 2019.

(b) On 28 December 2018, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 70% of issued share capital of Anping Bo' ai Hospital. Details of the acquisition were set out in the Company's announcements dated 28 December 2018, 1 February 2019, 10 May 2019 and 20 June 2019.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 28 June 2019.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries are as follows:

Name of Company	Place of incorporation/ registration and operations	Class of shares held	Issued/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Gomei Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	Investment holding
China Healthcare Holdings (Hong Kong) Limited	Hong Kong	Ordinary	HK$10,000	–	100%	Investment holding
CHC Investment Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	US$100	–	100%	Investment holding
Long Heng Investments Limited	British Virgin Islands	Ordinary	US$1	100%	–	Investment holding
Zhongwei Kanghong Investments Limited	Hong Kong	Ordinary	US$1,000,000	–	100%	Investment holding
北京中衛康虹醫院管理有限公司 (Beijing Zhongwei Kanghong Hospital Management Co. Ltd) *(note a)*	PRC	Registered capital	RMB10,000,000	–	100%	Hospital management service
北京英智明商貿有限公司 (Beijing Yingzhiming Trading Co., Ltd)	PRC	Registered capital	RMB1,000,000	–	100%	Trading of medical equipment
中衛健康產業(深圳)有限公司 (Zhongwei Health Industries (Shenzhen) Co., Ltd) *(note a)*	PRC	Registered capital	HK$75,000,000	–	100%	Investment holding/ Healthcare Hospital management service
中衛國際融資租賃（深圳）有限公司 (Zhongwei International Finance Lease (Shenzhen) Co., Ltd)	PRC	Registered capital	US$30,000,000	–	100%	Finance leasing
北京中衛康融醫院管理有限公司 (Beijing Zhongwei Kangrong Hospital Management Co., Ltd)	PRC	Registered capital	RMB10,000,000	–	100%	Hospital management service
馬格瑞茲（武漢）醫療技術發展有限公司 (Mareguizi (Wuhan) Medical Technology Development Co., Ltd)	PRC	Registered capital	RMB5,000,000	–	51%	Trading of medical consumables

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Summarised financial information of significant non-controlling interest and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Mareguizi (Wuhan) Medical Technology Development Co., Ltd
	2019
	HK$'000
As at 31 March	
Non-current assets	–
Current assets	10,067
Non-current liabilities	–
Current liabilities	(5,250)
Net assets	4,817
Carrying amount of NCI	1,628
Year ended 31 March	
Revenue	16,148
Expenses	(16,010)
Profit for the year	138
Profit attributable to NCI	68
Net cash flow generated from	
Operating activities	(4,121)
Investing activities	–
Financing activities	4,678

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2019

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Note:

(a) Wholly-foreign-owned enterprises established under the PRC Law.

The above list includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the assets or liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Financial Summary

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**32,183**	24,247	14,989	23,716	37,823
Loss before tax	**(19,925)**	(36,716)	(69,080)	(78,307)	(68,231)
Income tax expense	**(3,088)**	(2,530)	(197)	(128)	(432)
Loss for the year	**(23,013)**	(39,246)	(69,277)	(78,435)	(68,663)
Attributable to:					
Owners of the Company	**(23,081)**	(39,246)	(69,277)	(73,214)	(55,926)
Non-controlling interests	**68**	–	–	(5,221)	(12,737)
	23,013	(39,246)	(69,277)	(78,435)	(68,663)

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**215,241**	225,281	170,132	234,981	274,627
Total liabilities	**(83,196)**	(64,221)	(60,130)	(54,605)	(238,035)
Net assets/(liabilities)	**132,045**	161,060	110,002	180,376	36,592

Schedule of Property Interests

Particular of the principal properties held by the Group as at 31 March 2019 is as follow:

Investment Properties

	Description	Use	Lease term	Approximate gross floor area (sq.m.)	Attributable percentage interest
1.	Anping Bo'ai Hospital buildings situated at F-1, Zhongxin Road East, Xin Ying Street South, Anping County, Hebei Province, the People's Republic of China	hospital	Medium	5,236.11	100
2.	Two residential villas (including residential forecourt) close to the Anping Bo'ai Hospital buildings	residential	Medium	498.68	100