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
INTERIM REPORT

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Xing Yong
Mr. Huang Lianhai
Mr. Zhang Dawei
(appointed on 4 June 2019)
Mr. Wang Yongming
(appointed on 4 June 2019)
Mr. Wang Yuexiang
(resigned on 2 September 2019)
Mr. Qiu Peiyuan
(resigned on 2 September 2019)

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

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 801, 8/F
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKER

The Bank of East Asia Limited
10 Des Voeux Road Central
Hong Kong

AUDITORS

Elite Partners CPA Limited
10/F, 8 Observatory Road,
Tsim Sha Tsui, Hong Kong

LEGAL ADVISER

K&L Gates
44th Floor,
Edinburgh Tower,
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda)
Limited
The Belvedere Building
66 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

673

COMPANY WEBSITE

http://www.ch-groups.com

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	5	**20,865**	6,040
Cost of services		**(12,614)**	(297)
Gross profit		**8,251**	5,743
Other income	6	**4,130**	9,292
Administrative expenses		**(13,739)**	(19,216)
Finance costs	7	**(40)**	–
LOSS BEFORE TAX	8	**(1,398)**	(4,181)
Income tax	9	**(1,035)**	–
LOSS FOR THE PERIOD		**(2,433)**	(4,181)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(2,603)**	(4,181)
Non-controlling interest		**170**	–
		(2,433)	(4,181)
LOSS PER SHARE			
– Basic and diluted (HK cents)	10	**(0.06)**	(0.10)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Notes	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
OTHER COMPREHENSIVE EXPENSE			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(10,324)**	(13,013)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF INCOME TAX OF NIL		**(10,324)**	(13,013)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(12,757)**	(17,194)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(13,063)**	(17,194)
Non-controlling interest		**306**	–
		(12,757)	(17,194)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**251**	331
Intangible assets		**13,162**	14,692
Investment properties		**16,529**	17,800
Right-of-use assets		**1,437**	–
Loan receivables	*11*	**28,118**	25,362
Total non-current assets		**59,497**	58,185
CURRENT ASSETS			
Inventories		**2,337**	164
Trade and factoring loan receivables	*12*	**34,682**	32,796
Prepayments, deposits and other receivables		**28,484**	26,073
Loan and interest receivables	*11*	**61,681**	68,089
Cash and bank balances		**22,029**	29,934
Total current assets		**149,213**	157,056
CURRENT LIABILITIES			
Trade payables	*13*	**4,507**	4,363
Other payables and accrued expenses		**71,614**	73,168
Lease liabilities		**724**	–
Tax payables		**6,231**	5,665
Total current liabilities		**83,076**	83,196

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**728**	–
Total non-current liabilities		**728**	–
NET CURRENT ASSETS		**66,137**	73,860
TOTAL ASSETS LESS CURRENT LIABILITIES		**125,634**	132,045
NET ASSETS		**124,906**	132,045
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**413,995**	409,395
Reserves		**(291,023)**	(278,978)
		122,972	130,417
Non-controlling interests		**1,934**	1,628
TOTAL EQUITY		**124,906**	132,045

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital	Share premium	Contributed surplus	Convertible bonds reserve	Foreign currency translation reserve	Share options reserve	Accumulated losses	Sub-total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018 (audited)	363,995	505,958	57,124	60,000	12,662	4,000	(842,679)	161,060	–	161,060
Initial application of HKFRS 9	–	–	–	–	–	–	(3,409)	(3,409)	–	(3,409)
As restated	363,995	505,958	57,124	60,000	12,662	4,000	(846,088)	157,651	–	157,651
Loss for the period	–	–	–	–	–	–	(4,181)	(4,181)	–	(4,181)
Other comprehensive expense for the period	–	–	–	–	(13,013)	–	–	(13,013)	–	(13,013)
Total comprehensive expense for the period	–	–	–	–	(13,013)	–	(4,181)	(17,194)	–	(17,194)
At 30 September 2018 (unaudited)	363,995	505,958	57,124	60,000	(351)	4,000	(850,269)	140,457	–	140,457
At 1 April 2019 (audited)	**409,395**	**525,958**	**57,124**	**–**	**3,109**	**4,000**	**(869,169)**	**130,417**	**1,628**	**132,045**
(Loss)/profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(2,603)**	**(2,603)**	**170**	**(2,433)**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**(10,460)**	**–**	**–**	**(10,460)**	**136**	**(10,324)**
Total comprehensive expense/(income) for the period	**–**	**–**	**–**	**–**	**(10,460)**	**–**	**(2,603)**	**(13,063)**	**306**	**(12,757)**
Recognition of share-based payment	**–**	**–**	**–**	**–**	**–**	**1,018**	**–**	**1,018**	**–**	**1,018**
Lapsed of share options	**–**	**–**	**–**	**–**	**–**	**(464)**	**464**	**–**	**–**	**–**
Subscription of shares	**4,600**	**–**	**–**	**–**	**–**	**–**	**–**	**4,600**	**–**	**4,600**
At 30 September 2019 (unaudited)	**413,995**	**525,958**	**57,124**	**–**	**(7,351)**	**4,554**	**(871,308)**	**122,972**	**1,934**	**124,906**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(3,483)**	(6,490)
NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**189**	(2,878)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(2,534)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(5,828)**	(9,368)
Effect of foreign exchange rate changes, net	**(2,077)**	(1,526)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**29,934**	38,997
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**22,029**	28,103
Analysis of cash and cash equivalents:		
Cash and bank balances	**22,029**	28,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 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.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The accounting policies and the basis of preparation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by 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 unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except for when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKZCPA which are relevant to the Group's operation and are effective for the first time for financial year beginning 1 April 2019:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of plant, office premises, and land use rights. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) *HKD'000* (Unaudited)
Assets	
Increase in right-of-use assets	1,790
Increase in total assets	1,790
Liabilities	
Increase in total liabilities	1,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK'000 (Unaudited)
Operating lease commitments as at 31 March 2019	1,860
Weighted average incremental borrowing rate as at 1 April 2019	4.75%
Discounted operating lease commitments as at 1 April 2019	1,790
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	–
Add: Payments for optional extension periods not recognised as at 31 March 2019	–
Lease liabilities as at 1 April 2019	1,790

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of new accounting policies (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option on extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease office premises for additional years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts recognised in the interim consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets *HK$'000*	Lease liabilities *HK$'000*
As at 1 April 2019	1,790	1,790
Depreciation charge	(357)	–
Interest expense	–	40
Payments	–	(382)
Exchange realignment	4	4
As at 30 September 2019	1,437	1,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. OPERATING SEGMENT INFORMATION

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

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

(i) hospital management service;

(ii) trading of medical equipment and consumables;

(iii) Business factoring; and

(iv) Property investment.

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

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

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 30 September 2019 and 2018.

	Hospital management service		Trading of medical equipment and consumables		Business factoring		Property investment		Total	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Segment revenue										
Revenue from external customers	**2,663**	2,888	**15,382**	370	**2,190**	1,967	**630**	815	**20,865**	6,040
Segment results	**3,146**	7,186	**(734)**	(1,381)	**1,067**	495	**631**	815	**4,110**	7,115
Reconciliation:										
Interest income and unallocated gains									**1**	88
Corporate and other unallocated expenses									**(5,509)**	(11,384)
Loss before tax									**(1,398)**	(4,181)
Depreciation and amortisation	**644**	471	**9**	9	**-**	-	**-**	-	**653**	480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. OPERATING SEGMENT INFORMATION (Continued)

The following tables are an analysis of the Group's assets as at 30 September 2019 and 31 March 2019:

	As at 30 September 2019 (Unaudited)				
	Hospital management service *HK$'000*	Trading of medical equipment and consumables *HK$'000*	Business factoring *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
SEGMENT ASSETS	**94,338**	**78,029**	**8,598**	**17,070**	**198,035**
Corporate and other unallocated assets					**10,675**
Total assets					**208,710**
SEGMENT LIABILITIES	**11,086**	**10,455**	**4,097**	**4,443**	**30,081**
Corporate and other unallocated liabilities					**53,723**
Total liabilities					**83,804**

	As at 31 March 2019 (Audited)				
	Hospital management service *HK$'000*	Trading of medical equipment and consumables *HK$'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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

5. REVENUE

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue:		
Income from provision of hospital management service *(note)*	**2,663**	2,888
Trading of medical equipment and consumables	**15,382**	370
Business factoring	**2,190**	1,967
Rental income	**630**	815
	20,865	6,040

Note: The amount comprises the management fee income from Shuangluan Hospital, Anping Bo'ai Hospital, and Red Cross Hospital of Luanping County of approximately HK$2,663,000 (2018: HK$2,888,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

6. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**321**	189
Loan interest income	**3,161**	4,016
Reverse of over-provision on impairment	**552**	133
Recover from amount due to deconsolidated subsidiary	**–**	4,410
Exchange gain	**–**	88
Consultancy income	**–**	449
Sundry income	**96**	7
	4,130	9,292

7. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK'000	*HK'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**40**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	**357**	–
Depreciation of property, plant and equipment	**47**	273
Loss on disposal of property, plant and equipment	**17**	–
Amortisation of intangible assets	**637**	447
Share-based payment expenses	**1,018**	–
Interest income	**(3,482)**	(4,205)

9. INCOME TAX

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

Subsidiaries established in the People's Republic of China (the "PRC") are subject to the PRC enterprise income tax at the standard rate of 25% (2018: 25%).

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC		
Provision for the period	**1,035**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

10. LOSS PER SHARE

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company, used in the basic loss per share calculation	**(2,603)**	(4,181)

Number of shares	**2019**	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,104,816**	4,039,947

For the period ended 30 September 2019 and 2018, the outstanding share options had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11. LOAN AND INTEREST RECEIVABLES

	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Loan receivables – secured *(note)*	**4,693**	6,190
Loan receivables – unsecured	**85,106**	87,261
	89,799	93,451
Presented as		
– current assets	**61,681**	68,089
– non-current assets	**28,118**	25,362
	89,799	93,451

Note: As at 30 September 2019, the secured loan receivable of approximately HK$4,693,000 (31 March 2019: HK$6,190,000) was guarantee by the director of the borrower.

The Group's loan receivables are recoverable as follows:

	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
With one year	**61,681**	68,089
After 1 year but within 2 years	**27,306**	23,795
After 2 years but within 5 years	**812**	1,567
	28,118	25,362
	89,799	93,451

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 30 September 2019 and 31 March 2019, none of the covenants were breached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11. LOAN AND INTEREST RECEIVABLES (Continued)

Movement of loan receivables are as follows:

	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Beginning of the period	**93,451**	91,091
Additions	**6,752**	12,429
Repayment	**(4,337)**	(4,672)
Impairment allowance	**–**	(134)
Exchange realignment	**(6,067)**	(5,263)
End of the period	**89,799**	93,451

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

	30 September 2019 (Unaudited) %	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) %	31 March 2019 (Audited) HK$'000
Fixed rate:				
Loan receivables	**7**	**72,932**	7	76,917
Loan receivables	**8**	**2,157**	8	2,303
Loan receivables	**10**	**14,710**	10	14,231
		89,799		93,451

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

12. TRADE AND FACTORING LOAN RECEIVABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and factoring loan receivables:		
Commercial business factoring	**1,813**	819
Trade of medical equipment and consumables	**11,459**	12,708
Hospital management	**18,909**	17,253
Property investment	**2,501**	2,016
	34,682	32,796

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

(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; and

(iv) Provision of rental income is with credit terms of 90 days.

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**2,565**	9,128
1 to 3 months	**6,446**	4,965
over 3 months	**25,671**	18,703
	34,682	32,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

12. TRADE AND FACTORING LOAN RECEIVABLES (Continued)

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**6,910**	4,724
91 – 180 days	**2,904**	1,422
Over 180 days	**15,786**	13,297
	25,600	19,443

Trade and factoring loan 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.

13. TRADE PAYABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**4,507**	4,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13. TRADE PAYABLES (Continued)

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

	30 September 2019 *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
Within one month	**3,958**	4,342
One to three months	**529**	–
Over three months	**20**	21
	4,507	4,363

14. SHARE CAPITAL

	Number of shares	**Share capital** *HK$'000*
Authorised:		
Ordinary shares of HK0.1 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	100,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2018	**3,639,947,634**	**363,995**
Issue of shares upon conversion of the convertible bonds *(note i)*	**400,000,000**	**40,000**
Subscription of shares *(note ii)*	**54,000,000**	**5,400**
At 31 March 2019 and 1 April 2019	**4,093,947,634**	**409,395**
Subscription of shares *(note ii)*	**46,000,000**	**4,600**
At 30 September 2019	**4,139,947,634**	**413,995**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

14. SHARE CAPITAL (Continued)

Note:

(i) 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.

(ii) On 11 September 2018, the Company and the Trust entered into the subscription agreement in relation to subscription of 100,000,000 ordinary shares of HK$0.10 per share. On 17 December 2018 and 19 August 2019, an aggregate of 54,000,000 and 46,000,000 subscription shares were successfully allotted and issued to subscriber. The net proceeds of approximately HK$5,000,000 and HK$4,600,000 will be used for future business development, investment and general working capital purposes.

15. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved by the Board on 29 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

For the Period, the Group reported a revenue of approximately HK$20.9 million, representing a significant increase as compared to approximately HK$6 million for the previous period. The revenue comprises (a) trading income of medical equipment of approximately HK$15.4 million (2018: HK$0.3 million); (b) management fee income from hospital management of approximately HK$2.7 million (2018: HK$2.8 million); (c) income from business factoring business of approximately HK$2.2 million (2018: HK$2 million); and (d) income from property investment of HK$0.6 million (2018: HK$0.9 million). The increase in revenue was mainly due to significant increase in revenue for trading of medical equipment and consumables during the Period.

The Group's loss attributable to shareholders for the Period was approximately HK$2.6 million as compared to approximately HK$4.2 million for the previous financial period. The decrease in net loss was mainly attributable to both increase in revenue and decrease in administrative expenses as a result of cost saving measures taken by the Group which led to decrease in operating costs during the Period. Basic loss per share for the Period was HK0.06 cents (2018: HK0.10 cents).

REVIEW OF BUSINESS OPERATION

For the Period, 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

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.

Currently, the Group is entitled management fee equivalent to 3% of the revenue of Shuangluan Hospital and recorded management fee of approximately HK$2.1 million during the Period (2018: HK$1.9 million). 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.

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$0.6 million during the Period (2018: HK$0.6 million).

Anping Bo'ai Hospital was a private not-for-profit Class II general hospital located in Anping County, Hebei Province, the PRC. The total gross floor area of the hospital properties is approximately 6,123 square metres, of which approximately 3,000 square metres are for treatment and diagnosis use, offering up to 130 beds at the Anping Bo'ai Hospital. The hospital provides services covering clinical medicine, pediatrics, surgery, gynecology, traditional Chinese medicine and otolaryngology through out-patient services, hospitalization and general medical services including health examinations and diagnosis.

On 28 December, 2018, the Group, the vendors of Anping Bo'ai Hospital, namely Mr. Sang Shiwen and Mr. Han Jianbin, and Anping Bo'ai Hospital 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) has also been paid by the Group in respect of the possible acquisition of the remaining 30% equity interests of the target company. The acquisition of 70% equity interest of Anping Bo'ai Hospital has been completed on 24 October 2019. Anping Bo'ai Hospital is held as to 70% by the Group and as to 30% by Mr. Sang Shiwen upon completion. Further details of the acquisition were set out in the announcements of the Company dated 28 December 2018, 1 February 2019, 28 February 2019, 10 May 2019, 20 June 2019, 28 June 2019, 31 July 2019, 24 September 2019 and 25 October 2019 and the circular of the Company dated 25 September 2019.

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. There was no management fee received during the Period (2018: HK$0.3 million). On 18 July 2019, the agreement in relation to such management right has been terminated.

Medical equipment and consumables trading business

The Group carried out medical equipment trading business for hospitals. The business is expected to facilitate the sourcing and supplying of high quality equipment to the hospitals managed/owned by the Group, which in turn streamlines the hospital operations, maintains quality of services 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 (Mageruizi (Wuhan) Medical Technology Development Co., Ltd.) ("Mageruizi Wuhan") with an independent third party in August 2018 to develop the trading of medical consumables. It focuses on the trading of high-value medical consumables. The Group contributed RMB2.55 million in cash to the capital of Mageruizi Wuhan and holds a 51% equity interest therein. The trading company will contribute positively to the medical equipment and consumable trading business of the Group.

Business factoring business

The Group also conducts factoring business for hospitals which will bring in steady revenue and profits to the Group as well as provide the necessary funding to hospitals for improvement in 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. Following completion of 70% equity interest in Anping Bo'ai Hospital in October 2019 as stated above, the properties will become fixed assets of the Group and rental income generated shall be eliminated on consolidation and the Group will not be engaged in property investment business.

FUTURE PROSPECT

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 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.

The Group has 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. With the continuous social and economic development, urbanization and huge ageing population in 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. 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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as acquisition of 70% equity interests of Anping Bo'ai Hospital as stated above, there were no other significant investments, material acquisitions and disposals during the Period.

FUND RAISING ACTIVITY

On 11 September 2018, the Company and a trust, namely CHG Victory Limited, 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. 54,000,000 subscription shares and 46,000,000 subscription shares were issued to CHG Victory Limited on 17 December 2018 and 19 August 2019 respectively raising net proceeds of HK$9.6 million. The net proceeds replenished the financial resources of the Group for future business development, investment and general working capital uses. Details of the subscription were disclosed in the announcements of the Company dated 11 September 2018 and 19 August 2019.

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

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 Period. As at 30 September 2019, the Group's cash and cash equivalents amounted to approximately HK$22 million (31 March 2019: HK$29.9 million).

As at 30 September 2019, the current assets and net current assets of the Group are approximately HK$149.2 million (31 March 2019: HK$157.1 million) and HK$66.1 million (31 March 2019: HK$73.9 million) respectively, representing a current ratio of 1.80 (31 March 2019: 1.89).

As at 30 September 2019, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4 million (31 March 2019: 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 30 September 2019, the gearing ratio was 0.25 (31 March 2019: 0.24), calculated by dividing dividend payable on redeemable convertible cumulative preference shares (representing debt owed by the Company) by shareholders' equity of approximately HK$123 million (31 March 2019: HK$130.4 million).

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

MATERIAL LITIGATIONS

On 12 September 2016, the Company received a statutory demand (the "Statutory Demand") from Li Hong Holdings Limited ("Li Hong") in respect of repayment of dividend payable on redeemable convertible cumulative preference shares in the sum of US$4.0 million (equivalent to approximately HK$30.9 million) (the "Alleged Outstanding Sum"). Such amount has been included in other payables and accrued expenses in the Company's consolidated balance sheet as at 31 March 2016. An originating summons (the "Originating Summons") under action number HCMP2593/2016 has been issued by the Company (as plaintiff) against Li Hong (as defendant) on 27 September 2016. Pursuant to the Originating Summons, the Company sought, amongst others, the following reliefs against Li Hong: (1) an order that Li Hong be restrained from presenting any petition for the winding-up of the Company based on the Alleged Outstanding Sum; and (2) costs.

A hearing took place on 30 September 2016 at the High Court of Hong Kong (the "Court"), during which Li Hong has undertaken not to file a winding-up petition against the Company based on the Alleged Outstanding Sum and the Company has undertaken (i) to pay the sum of US$4.0 million or its equivalent into the Court within 21 days from the date of the hearing, which was so paid on 19 October 2016; and (ii) to comply with any order the Court may make if the Court later finds that Li Hong's undertaking has caused loss to Li Hong or any other party and decides that Li Hong or that other party should be compensated for that loss. On 8 February 2017, another Court hearing took place and it was ordered, among other things, that (i) Li Hong be restrained from presenting any petition for the winding-up of the Company based on the Alleged Outstanding Sum; and (ii) the sum of US$4.0 million or its equivalent paid into the Court be released to the Company. Pursuant to the reasons for judgment handed down by the Court dated 29 March 2017, it was concluded that the Company has shown that there is bona fide dispute of the Alleged Outstanding Sum on substantial grounds and the presentation of a winding-up petition by Li Hong would be an abuse of process. The Court further commented that new information filed for the Company lend credence to the Company's case that the loan note dated 1 August 2015 to Li Hong (the "Loan Note") was in fact issued by the Company pursuant to a backdoor arrangement made or participated in by Mr. Li Zhong Yuan ("Mr. Li", a former Director) for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was nominee for the purpose of receiving the Loan Note. As stated in the judgment, it follows that it must at least be open to serious argument that the Loan Note is not enforceable by Li Hong against the Company, because the issue of the Loan Note by the Company to Mr. Li's nominee (i.e. Li Hong) would involve a breach of fiduciary duty on Mr. Li's part of which Li Hong had knowledge. It was also mentioned in the judgment that Li Hong clearly does not have a valid cause of action against the Company based on a letter dated 31 July 2015 issued by Capital Foresight Limited ("Capital Foresight") and/or an agreement dated 23 November 2012 between the Company and Capital Foresight (the "Capital Foresight Agreement") being alleged evidence for the Statutory Demand as Li Hong is not a party to either of those documents and neither of those documents give rise to any contract or claim enforceable by Li Hong against the Company. Details of the above have been set out in the announcements of the Company dated 28 September 2016, 3 October 2016 and 30 March 2017 (the "Litigation Announcements").

Further to the Statutory Demand and upon internal investigation, the Company believes that the US$4.0 million as set out in the Litigation Announcements belongs to the Company on the following grounds: (1) that the Capital Foresight Agreement executed by Mr. Li, a then executive director and chairman of the Company and removed on 18 June 2016, was purportedly entered into in breach of Mr. Li's fiduciary duties and without authority, and Capital Foresight was knowingly complicit in this arrangement; (2) that the Loan Note issued by the Company (under its former name China Healthcare Holdings Limited), executed by Mr. Li purportedly on behalf of the Company in favour of Li Hong was purportedly entered into in breach of Mr. Li's fiduciary duties, without authority and inconsistent with the Company's articles of association; and (3) the Capital Foresight Agreement and the Loan Note were and are void or voidable and unenforceable. On this basis, on 7 November 2017, a writ of summons under action number HCA2549/2017 has been issued in the Court by the Company against Mr. Li as 1st defendant, Capital Foresight as 2nd defendant and Li Hong as 3rd defendant (together, the "Defendants"). Pursuant to the writ, the Company sought, amongst others, the following reliefs against the Defendants: (i) a declaration that the Capital Foresight Agreement executed by Mr. Li is void or voidable and unenforceable; and (ii) a declaration that the Loan Note is void or voidable and unenforceable, as announced in the announcement of the Company dated 8 November 2017. Following that announcement, an acknowledgement of service and a statement of claim were filed in December 2017. Pursuant to a Court order, this action has been consolidated with the action described below.

On 24 November 2017 and in connection with the Statutory 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 or its nominee a promissory note of US$4.0 million pursuant to the Capital Foresight Agreement, or alternatively US$4.0 million, interest and costs. Pursuant to a Court order, this action has been consolidated with the action described above.

In connection with the consolidated action and up to 31 March 2019, the parties have filed their respective pleadings with the Court. On 2 April and 7 May 2019, the Company issued a summons against the Defendants and a third party individual for discovery of documents relevant to the consolidated action. The third party discovery action is set to be heard on 20 December 2019. On 8 May 2019, the 1st defendant sought leave to adduce a legal opinion from a Bermuda legal expert. On 8 July 2019, the Court ordered the parties to the consolidated action to jointly report the progress of the expert direction application to the Court within a specified period. On 12 September 2019, the Court further ordered the parties' Bermuda legal experts to induce expert evidence on Bermuda law issues and to exchange reports, and prepare and lodge a joint statement addressing questions on which the experts have reached or failed to reach a common opinion and reasons for disagreement and their views. The Company will keep the shareholders informed of the latest developments by making further announcement(s) as and when appropriate.

CONTINGENT LIABILITIES

As at 30 September 2019, there were no material contingent liabilities of the Group (31 March 2019: nil).

CHARGE ON GROUP'S ASSETS

As at 30 September 2019, there was no charge on the Group's assets (31 March 2019: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group employed 41 employees (31 March 2019: 32). The total staff cost including Directors' emoluments and share-based payment expenses was approximately HK$7.9 as compared to approximately HK$7.1 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. On 26 April 2019, 321,994,763 share options were granted to directors and other certain eligible participants. 218,994,763 and 5,800,000 share options were cancelled and lapsed during the Period respectively. There were 147,200,000 outstanding share options as at 30 September 2019.

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

As at 30 September 2019, the interests or short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and convertible bonds of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director/chief executive	Capacity	Interests in shares (other than pursuant to share option)	Interests in underlying shares pursuant to share option	Total interest in shares/ underlying shares	Percentage of shares and underlying shares to issued shares
Mr. Zhang Fan *(Note 1)*	Through personal & corporate interest	1,173,074,000 (L)	4,000,000 (L)	1,177,074,000 (L)	28.43%
Mr. Chung Ho *(Note 2)*	Beneficial owner	–	30,000,000 (L)	30,000,000 (L)	0.72%
Mr. Wang Jingming *(Note 2)*	Beneficial owner	19,968,000 (L)	3,000,000 (L)	22,968,000 (L)	0.55%
Mr. Xing Yong *(Note 3)*	Beneficial owner	1,398,000 (L)	4,000,000 (L)	5,398,000 (L)	0.13%
Mr. Jiang Xuejun *(Note 4)*	Beneficial owner	–	4,000,000 (L)	4,000,000 (L)	0.10%
Mr. Weng Yu *(Note 2)*	Beneficial owner	–	3,000,000 (L)	3,000,000 (L)	0.07%
Mr. Huang Lianhai *(Note 3)*	Beneficial owner	–	3,000,000 (L)	3,000,000 (L)	0.07%

Name of director/chief executive	Capacity	Interests in shares (other than pursuant to share option)	Interests in underlying shares pursuant to share option	Total interest in shares/ underlying shares	Percentage of shares and underlying shares to issued shares
Mr. Du Yanhua *(Note 4)*	Beneficial owner	–	3,000,000 (L)	3,000,000 (L)	0.07%
Mr. Lai Liangquan *(Note 4)*	Beneficial owner	–	3,000,000 (L)	3,000,000 (L)	0.07%
Mr. Xiao Zuhe *(Note 4)*	Beneficial owner	–	3,000,000 (L)	3,000,000 (L)	0.07%

Remark: (L): Long position

Notes:

1. Mr. Zhang Fan is interested in 1,177,074,000 shares/underlying shares through personal interest and Treasure Wagon Limited which is a company incorporated in Samoa and the entire issued share capital of which is owned by Mr. Zhang Fan. Mr. Zhang Fan is chairman of the Board and an executive Director.

2. Each of Mr. Chung Ho, Mr. Wang Jingming and Mr. Weng Yu is an executive Director.

3. Each of Mr. Xing Yong and Mr. Huang Lianhai is a non-executive Director.

4. Each of Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Mr. Xiao Zuhe is an independent non-executive Director.

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.

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

As at 30 September 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 30 September 2019
Treasure Wagon Limited *(Note 1)*	Beneficial owner	1,160,000,000 (L)	–	1,160,000,000 (L)	28.02%
Speedy Brilliant Investments Limited *(Note 2)*	Beneficial owner	276,510,000 (L)	–	276,510,000 (L)	6.68%
Mr. Zhou Disun *(Note 2)*	Beneficial owner	276,510,000 (L)	–	276,510,000 (L)	6.68%

Remark: (L): Long position

Notes:

1. Treasure Wagon Limited is a company incorporated in Samoa and the entire issued share capital of which is owned by Mr. Zhang Fan who is chairman of the Board and executive Director of the Company.

2. Speedy Brilliant Investments Limited is wholly owned by Mr. Zhou Disun.

SHARE OPTION SCHEME

The Company operated a share option scheme which was expired on 7 April 2012 and a new share option scheme (the "New Scheme") was approved by the shareholders of the Company on 28 August 2012. Further details of the New Scheme were disclosed in the annual report of the Company for the year ended 31 March 2019. There was no change in any terms of the New Scheme during the Period.

The following table discloses details of options outstanding and movements during the period:

	Number of share options										
Name or category of participant	At 1 April 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed/ forfeited during the period	Reclassified during the period	As at 30 September 2019	Exercise period of share options	Exercise price of share options	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options
									HK$		*HK$*
Directors											
Mr. Zhang Fan	–	4,000,000	–	–	–	–	4,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Chung Ho	–	30,000,000	–	–	–	–	30,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Wang Jingming	–	3,000,000	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079

Name or category of participant	At 1 April 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed/ forfeited during the period	Reclassified during the period	As at 30 September 2019	Exercise period of share options	Exercise price of share options	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options
	Number of share options										
									HK$		HK$
Mr. Xing Yong	–	4,000,000	–	–	–	–	4,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Jiang Xuejun	–	4,000,000	–	–	–	–	4,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Weng Yu	–	3,000,000	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Huang Lianhai	–	3,000,000	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Du Yanhua	–	3,000,000	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Lai Liangquan	–	3,000,000	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079

Name or category of participant	At 1 April 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed/ forfeited during the period	Reclassified during the period	As at 30 September 2019	Exercise period of share options	Exercise price of share options	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options
	Number of share options										
									HK$		*HK$*
Mr. Xiao Zuhe	–	3,000,000	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Qiu Peiyuan	–	4,000,000	–	–	–	(4,000,000)	–	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Director of the subsidiaries of the Company											
Mr. Liu Hongdi	–	2,000,000	–	–	–	–	2,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Mr. Liao Jijiang	–	3,000,000	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Ms. Tang Wenji	–	1,000,000	–	–	–	–	1,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Subtotal	–	70,000,000	–	–	–	(4,000,000)	66,000,000				

Name or category of participant	At 1 April 2019	Number of share options: Granted during the period	Exercised during the period	Cancelled during the period	Lapsed/ forfeited during the period	Reclassified during the period	As at 30 September 2019	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
Employees	27,100,000	–	–	–	(2,500,000)	–	24,600,000	19 May 2017 to 18 May 2022	0.18	19 May 2017	0.165
	–	33,000,000	–	–	–	–	33,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Others	22,900,000	–	–	–	(3,300,000)	–	19,600,000	19 May 2017 to 18 May 2022	0.18	19 May 2017	0.165
	–	218,994,763	–	(218,994,763)	–	4,000,000	4,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Total	50,000,000	321,994,763	–	(218,994,763)	(5,800,000)	–	147,200,000				

During the Period, share-based payment expanses amounted to approximately HK$1 million (2018: nil) was recognised in the income statement.

DIVIDEND

The Directors do not recommend the payment of any interim dividend to shareholders (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE CODE

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

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

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

3. Under A.6.7 of the Code, independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Three non-executive Directors and three independent non-executive Directors did not attend the Company's annual general meeting held on 3 September 2019 due to their other unexpected business engagements.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS (THE "MODEL CODE")

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all Directors, all Directors declared that they have complied with the Model Code during the Period.

NON-COMPLIANCE WITH LISTING RULE 3.10A

The number of independent non-executive Directors falls below the minimum number required under Rule 3.10A of the Listing Rules upon appointment of two non-executive Directors on 4 June 2019. Following the resignation of two non-executive Directors on 2 September 2019, the Company has fulfilled the requirement under Rule 3.10A of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the unaudited interim financial statements for the six months ended 30 September 2019.

On behalf of the Board
China Health Group Limited
Zhang Fan
Chairman of the Board and Executive Director

Hong Kong, 29 November 2019