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)

2021
ANNUAL REPORT

CONTENTS

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS
Mr. Zhang Fan
Mr. Chung Ho
Mr. Wang Jingming

NON-EXECUTIVE DIRECTORS
Mr. Xing Yong
Mr. Huang Lianhai

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Jiang Xuejun
Mr. Du Yanhua
Mr. Lai Liangquan
Ms. Meng Junfeng

COMPANY SECRETARY
Mr. Tsui Siu Hung Raymond

REGISTERED OFFICE
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Hamilton HM 11
Bermuda

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Hong Kong

PRINCIPAL BANKER
The Bank of East Asia Limited
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Hong Kong

AUDITORS
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Tsim Sha Tsui
Kowloon, Hong Kong

LEGAL ADVISER
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The Landmark
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
4th Floor
North Ceder House
41 Ceder Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
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Hong Kong

COMPANY WEBSITE
http://www.ch-groups.com

STOCK CODE
673

Chairman's Statement

Dear Shareholders,

In the past year, under the guidance of the board of directors and with the joint efforts of all colleagues, the Company overcame the adverse effects brought by COVID-19 and successfully completed the tasks assigned by the board of directors. In particular, the income of the Company increased significantly, which is more than doubled than the corresponding period last year. In addition, income structure was also increasingly reasonable, forming the synergistic effects of the dual drivers between hospital management and distribution in medical equipment and consumables. On the other hand, the past issues that hinders the development of the Company have been gradually solved and the Company also achieved health development.

Throughout the world, the health industry is still a field full of opportunities and highly favored by investors. The huge demand in Chinese market has brought infinite business opportunities to the innovation of medical services and biotechnology. The Company will seize this historical opportunity, constantly strengthen the core business, continue to expand the distribution of medical equipment and consumables, cooperate with famous local and foreign investment institutions, identify potential investment opportunities and pursue mergers and acquisitions to grow the company and bring return to the investors.

Zhang Fan
Chairman

30 June 2021

Management Discussion and Analysis

RESULTS REVIEW

For the year ended 31 March 2021, the Group reported a revenue of approximately HK$87.9 million, representing an increase of 94.5% as compared to HK$45.2 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK$68.8 million (2020: HK$29.7 million); (b) income from hospital operation and management of approximately HK$18.4 million (2020: HK$11.1 million); and (c) service fee income from business factoring of approximately HK$0.7 million (2020: HK$3.7 million). In 2020, there was income from property investment of HK$0.7 million. There was no such revenue during the year as the property investment business has been terminated following completion of acquisition of Anping Bo'ai Hospital for the year ended 31 March 2020 as stated below.

For the year ended 31 March 2021, the Group reported gross profit of approximately HK$26 million, representing an increase of 50.3% as compared to HK$17.3 million for the previous financial year.

The Group's loss attributable to shareholders for the year was approximately HK$7.7 million as compared to a net loss of approximately HK$36.7 million for the previous financial year. The decrease in net loss was mainly attributable to no expense of derecognition of intangible asset recognised (2020: HK$13.4 million) and decrease in share based payment recognised of approximately HK$9 million during the year. Basic loss per share for the year was HK$0.19 cents (2020: HK$0.89 cents).

REVIEW OF BUSINESS OPERATION

For the year ended 31 March 2021, the existing business segments of the Group comprise (a) medical equipment and consumables distribution and service business; (b) hospital operation and management services business; and (c) business factoring business.

(a) Medical equipment and consumables distribution and service business

During the year, the Group recorded revenue of approximately HK$68.8 million (2020: HK$29.7 million), representing a significant increase of 131.6% compared with last year, and operating profit of approximately HK$2.6 million (2020: HK$3.4 million) from medical equipment and consumables distribution and service business respectively.

Management Discussion and Analysis

In first half of 2020, the businesses of the Group are inevitably affected by the outbreak of Novel Coronavirus (COVID-19) in Wuhan and surrounding areas in Hubei Province, being the location of distribution and service business of the Group. However, benefiting from the advantages of its subdivided industries and good relationships with hospital customers and various manufacturers' brands, 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"), the principal business of the Group, overcame various difficulties, on the one hand, it vigorously expanded new hospital customers, including a batch of top-quality hospitals such as 湖北省人民醫院 (Hubei Provincial People's Hospital) and Zhongnan Hospital of Wuhan University; on the other hand, it conducted in-depth cooperation with well-known domestic and foreign manufacturers, for which it introduced new partners including Microport Scientific Corporation and undertook the platform functions of manufacturers such as Boston Scientific Corporation in central China. Against the background of the epidemic first half of this year, it still achieved a substantial increase in sales with dedicated effort by the team. In the second half of the year, the Group was more proactive in seizing the opportunity of industry recovery to expand its customer network, increase the number of products, and finally achieve satisfactory outcome throughout the year.

The Group's cardiovascular device and consumables distribution business has initially established its core competitiveness, which is to build a large-scale tertiary hospital service network with Wuhan as its center, Hubei as its foundation and radiate to central China. The Group has established sound strategic partnerships with leading global manufacturers, and built an influential regional supply chain service platform for all aspects of cardiovascular intervention and surgery. In view of the development of distribution business and the market growth potential, during the year, the Group further increased its shareholding in Mageruizi Wuhan, and its equity interest increased from 51% to 87.75%. Such acquisition was completed in May 2021.

In the medium and long term, the Group will strive to transform from a platform supplier to a brand manufacturer. While expanding its business scale and building supply chain service platform, the Group will seek opportunity to develop the manufacturing business in the cardiovascular device segment. In future, the Group will become a leading enterprise integrating R&D, manufacturing and sales in this industry.

Management Discussion and Analysis

(b) Hospital operation and management services business

Shuangluan Hospital

The Group obtained the operation right of 承德市雙灤區人民醫院暨承德市精神病醫院 (Shuangluan District, Chengde City Hospital (Chengde City Psychiatric Hospital)) ("Shuangluan Hospital") in July 2015 pursuant to the terms of the hospital management agreement (as supplemented on 31 July 2015 and 25 August 2015, the "Management Agreement") dated 23 July 2015. The Group is entitled to a management fee equivalent to 3% of the revenue of Shuangluan Hospital and recorded management fee of approximately HK$3.1 million (2020: HK$3.3 million) during the year.

On 30 April 2021, the Company, two wholly-owned subsidiaries of the Company, Shuangluan Hospital and the Shuangluan Government entered into an agreement (the "Settlement Agreement") to deal with matters concerning (i) the settlement of the sum (the "Sum") in aggregate of approximately RMB87.7 million (equivalent to approximately HK$105.3 million) representing principal and interest on loan advances (the "Advances") to Shuangluan Hospital and unpaid management fees (the "Fees") calculated up to 31 December 2020; and (ii) the management right over Shuangluan Hospital. Pursuant to the Settlement Agreement,

(i) the parties acknowledged that 北京中衛康融醫院管理有限公司 (Beijing Zhong Wei Kong Rong Hospital Management Company Limited) ("Kangrong") (a wholly-owned subsidiary of the Company) has taken up the rights and obligations of the Management Company under the Management Agreement;

(ii) the Shuangluan Government and Shuangluan Hospital agreed that the Sum, net of expenses incurred by personnel appointed by the Group amounting to approximately RMB2.3 million (equivalent to approximately HK$2.81 million) which shall be borne by the Group, shall be settled in cash pursuant to schedule as stated in the Settlement Agreement. The scheduled payments shall be applied towards settlement of (a) firstly, the Fees; (b) secondly, the accrued interests on the Advances; and (c) lastly, the principal amount of the Advances;

(iii) the management right of Kangrong over Shuangluan Hospital shall cease upon the signing of the Settlement Agreement and the Group shall not be entitled to any further management fee from Shuangluan Hospital; and

(iv) the Management Agreement shall remain effective until the full settlement of the Sum, and the representative of the Group shall resign from the role as the legal representative of Shuangluan Hospital within two business day following the full settlement of the Sum, in the manner as described in (ii) above.

Management Discussion and Analysis

As at date of this report, approximately RMB32.6 million (approximately HK$38.5 million) has been received by the Group under the Settlement Agreement. Further details of the above has been disclosed in the announcement dated 30 April 2021.

Anping Kangrong Hospital Company Limited and Anping Bo'ai Hospital

During the year, Anping Bo'ai Hospital has been reorganized into Anping Kangrong Hospital Company Limited and has become an indirect wholly-owned subsidiary of the Company and changed to a profit Class II general hospital. The total gross floor area of the hospital is approximately 6,123 square metres, of which approximately 3,000 square metres are for treatment and diagnosis use, offering up to 130 beds. The hospital provides services covering clinical medicine, pediatrics, surgery, gynecology, traditional Chinese medicine and otolaryngology through outpatient services, hospitalization and general medical services including health examinations and diagnosis.

The Group recorded revenue from hospital operation of approximately HK$15.3 million (2020: HK$7.8 million) during the year.

(c) Business factoring business

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

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 continuous growth in recent years. Especially in the fields of biomedicine, high-end medical equipment and advanced treatment technology, it has achieved rapid development in recent years, showing huge market potential and creating good conditions for the Group to expand its business fields. The Group's cardiovascular device distribution and service business has come a long way, and a distribution network has been established in the Central China. In the future, the Group will continue to invest more resource to further expand other important regional market and gradually build a comprehensive platform for the distribution of medical equipment and consumables.

Hospital operation and management remains an important business of the Group. In the future, the Group will focus on the development of hospitals specialized in cardiovascular field and other fields to establish a self-operated hospital system. In recent years, the government has continuously strengthened the public welfare function. The commercial custody of public hospitals faces uncertain policy risks. The Group will reassess and adjust the public hospital custody business from time to time.

Management Discussion and Analysis

In the future, the Group will take advantage of the tremendous opportunities for the development of the medical and big health industry, especially the business opportunity for import substitution of high value medical device. We will focus on the important market segments in medical equipment field, seek opportunity to integrate the industrial chain of medical equipment so as to enter the field of production and R&D of medical equipment and keep a foothold in the segment, and gradually build itself into a professional device supplier with research and development, manufacturing and sales ability. The board of directors believe that adhering to this strategy, the Group will continue to improve its operating performance and create reasonable return for shareholders.

MATERIAL ACQUISITIONS AND DISPOSALS

On 24 April 2020, the Group entered into a non-binding memorandum of understanding (the "MOU") with Mission Venus International (HK) Company Limited (the "Mission Venus") which is primarily engaged in research and development of Chinese Herbal Skincare Products with its own special formula. The MOU relates to, among other things, (i) the proposed formation of a joint venture company; and (ii) leverage on the Company's healthcare industry network to distribute Mission Venus's products through the proposed joint venture to healthcare institutions in China. The MOU has been lapsed during the year. Further details of the above were set out in the announcements of the Company dated 24 April 2020 and 24 June 2020.

On 26 June 2020, the Company entered into a non-binding memorandum of understanding with Beijing Bowei Zhixin Investment Management Company Limited (the "General Partner") regarding potential investment of not more than RMB30 million as a limited partner in a fund (the "Fund") being established and to be managed by the General Partner. The Fund is an industrial investment sub-fund of the national science and technology achievement transformation guidance fund approved by the Ministry of Science and Technology of the People's Republic of China in January 2020. The Fund will have an initial size of RMB1,000 million and focus on investments in the medical equipment, bio-pharmaceutical and medical services sectors. Further details of the above were set out in the announcement of the Company dated 26 June 2020.

On 17 March 2021, Pioneer Kingdom Limited (a wholly-owned subsidiary of the Company), the Company, Alpha Success International Limited (the "Vendor") and Mr. Ho Pei Lin (as guarantor) entered into the sale and purchase agreement in relation to acquisition of 75% of the total equity interest in Bloom King Corporation Limited ("Bloom King"), which owns 49% equity interests of Mageruizi Wuhan, and 75% of the total outstanding amounts owing by Bloom King to the Vendor at date of completion of the acquisition for an aggregate consideration of HK$14.6 million. The consideration shall be settled in cash of HK$6 million and the issue of the loan note of HK$8.6 million. The acquisition has been completed on 21 May 2021 and the Company indirectly owns a 75% equity interest in Bloom King. The effective equity interest held by the Group in Mageruizi Wuhan has been increased from 51% to 87.75% accordingly. Further details of the above were set out in the announcements of the Company dated 17 March 2021, 14 May 2021 and 21 May 2021.

Management Discussion and Analysis

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

SIGNIFICANT INVESTMENT

The Group had no significant investment of carrying value of 5% or more of the total assets as at 31 March 2021.

FUND RAISING ACTIVITY

On 28 August 2020, the Company entered into the placing agreement with a placing agent, Yuet Sheung International Securities Limited, in relation to placing of up to 400,000,000 shares at placing price of HK$0.10 per placing share on a best effort basis. The placing agreement has been terminated on 18 September 2020. Further details of the above were set out in the announcements of the Company dated 28 August 2020 and 18 September 2020.

There was no other fund raising activity during the year.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow during the year. As at 31 March 2021, the Group's cash and cash equivalents amounted to approximately HK$4.6 million (2020: HK$10.2 million).

As at 31 March 2021, the current assets and net current assets of the Group are approximately HK$164.5 million (2020: HK$144.9 million) and HK$47.4 million (2020: HK$50.7 million) respectively, representing a current ratio of 1.40 (2020: 1.54).

As at 31 March 2021, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4 million (2020: US$4 million) (equivalent to approximately HK$30.9 million), which is in dispute as disclosed in note 29 to the consolidated financial statements, was included in other payables and accrued expenses.

As at 31 March 2021, the Group has a bank loan, which was denominated in Renminbi, amounting to approximately RMB3 million (equivalent to approximately HK$3.6 million) (2020: nil). The loan carried interest at loan prime rate (LPR) plus 0.25% (i.e. 3.8525%) and repayable on 10 September 2021.

As at 31 March 2021, the gearing ratio was 0.33 (2020: 0.32), calculated by dividing dividend payable on redeemable convertible cumulative preference shares and bank loans (representing debts owed by the Company) by shareholders' equity of approximately HK$95 million (2020: HK$97 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.

Management Discussion and Analysis

MATERIAL LITIGATIONS

Material litigations are disclosed in note 29 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 March 2021, there were no material contingent liabilities of the Group (2020: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2021, there were no charge on the Group's assets (2020: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group employed 116 employees (2020: 115). The total staff cost including Directors' emoluments and share based payment of approximately HK$0.9 million (2020: HK$9.9 million) was approximately HK$18.4 million as compared to approximately HK$26.7 million for the previous year. The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the defined contribution retirement plans 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. 140,500,000 share options were granted and 8,500,000 share options were lapsed during the year. There were 265,900,000 outstanding share options as at 31 March 2021.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhang Fan, aged 56, 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. Chung Ho, aged 58, 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.

Mr. Wang Jingming, aged 64, 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 as the president of the 251st Hospital of the People's Liberation Army, Chang'an Hospital in Xi'an, Beijing Beiya Orthopedics Hospital, Nanchang 334 Hospital as president, Chengde City Shuangluan District People's Hospital. Mr. Wang has long been focused on theoretical research and practice of hospital operating mechanism, management model, development direction. He was awarded 8 military science and technology achievement awards and medical achievement awards, of which "The Research of Military Center Hospital Management New Model" awarded the second prize of military science and technology progress as the primary researcher, and he has published over 80 articles on hospital management and medical professional academic papers. "Hospital Management New Model", for which he was the editor-in-chief, was published by the People's Military Medical Press in January 2009, and was published its second edition in January 2015; "Health 4.0 Smart Hospital Management Model", was published by Science Press in June 2020. He was awarded 2 honorary third awards.

Biographical Details of Directors and Senior Management

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 of the PLA. Mr. Wang Jingming 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 1,000, and medical income increased from RMB120 million to RMB400 million, rising the Shaanxi provincial tertiary hospital rank from No. 48 to No. 12; it participated in the Ministry of Health electronic medical system function evaluation, and won the first place in the national inspection and evaluation; and participated in the US HIMMS, representing the first sixth level certified hospital in the PRC.

When he served as the president of 334 Hospital for 1 year, it completed the overall introduction 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.

In September 2015, he served as the president of Chengde City Shuangluan District People's Hospital, where he applied "Jingming Model" to promote the overall development of the hospital. With no changes in the conditions, personnel and equipment of the old hospital area, the admission and treatment capabilities, technical standards and employee mental outlook of employees of the hospital have been significantly improved; after moving to the new hospital area, although there are no residents around, the development momentum of the hospital has not diminished with great improvement in the hospital's technical standards and diagnosis and treatment capabilities. In 2017, at the "Primary Hospital Reform Forum" held by the National Health and Family Planning Commission in the hospital, Shuangluan District People's Hospital introduced its experience. The annual income of the hospital also increased from more than RMB20 million to RMB120 million.

He was appointed as the 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 56, 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. Huang Lianhai, aged 40, 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 from August 2008 to August 2020. Currently, he is the legal director of Orinko Advanced Plastics Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 688219). He was appointed as non-executive director of the Company on 25 July 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Xuejun, aged 53, 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 55, 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.

Biographical Details of Directors and Senior Management

Mr. Lai Liangquan, aged 45, 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 has been the corporate finance controller of NVC International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2222). Currently, he is the chief financial officer of Kimou Environmental Holding Limited (a company listed on the Hong Kong Stock Exchange, stock code: 6805). Mr. Lai has been engaged in finance industry 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.

Ms. Meng Junfeng, aged 45, obtained Master of Arts in Economics in Shanghai University of Finance and Economics and Master of Science in Finance in Pace University. She specializes in fields of private equity, real estate finance, capital market and merger and acquisition. She worked for Citic M&A Fund Management Co., Ltd and Natixis Private Equity Asia Limited. She currently serves as the Managing Director of GSUM Fund Management Co., Ltd, a leading real estate finance player in the PRC, responsible for investment business and business operations in South China. She holds Fund Qualification Certificate in the PRC. She was appointed as independent non-executive director of the Company on 21 April 2020.

SENIOR MANAGEMENT

Mr. Tsui Siu Hung Raymond, aged 44, 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 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 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in distribution and service in medical equipment and consumables, provision of hospital operation and management service, business factoring and property investment during the year. Save as cessation of property investment business upon completion of acquisition of Anping Kangrong Hospital Company Limited, 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 10. Save as the outbreak of Novel Coronavirus ("COVID-19") in early 2020 which has affected the operations of the Group, there are no important events affecting the Group since 31 March 2021.

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 8 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 (the "Listing Rules") 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 and non-compliances with the Listing Rule 3.10A as disclosed in section headed "Board of directors" in the Corporate Governance Report, there was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 March 2021.

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, hospitals 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 2021 and the state of affairs at the date are set out in the consolidated financial statements on pages 51 to 131.

The directors do not recommend the payment of any dividend for the year ended 31 March 2021 (2020: 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 17 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 33 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 55 and 56.

DISTRIBUTABLE RESERVES

As at 31 March 2021, 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

Non-executive Directors

Mr. Weng Yu	(resigned on 8 March 2021)
Mr. Xing Yong	
Mr. Huang Lianhai	
Mr. Zhang Dawei	(resigned on 24 August 2020)
Mr. Wang Yongming	(resigned on 6 August 2020)

Independent non-executive Directors

Mr. Jiang Xuejun	
Mr. Du Yanhua	
Mr. Lai Liangquan	
Ms. Meng Junfeng	(appointed on 21 April 2020)

The biographical details of the Directors and senior management of the Group are set out on pages 11 and 14 of this annual report.

Report of the Directors

In accordance with the Company's Bye-laws 86(2) and 87, Mr. Zhang Fan, Mr. Jiang Xuejun and Mr. Du Yanhua 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.

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 15 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.

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.

Report of the Directors

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

As at 31 March 2021, 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:

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 and 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)	8,000,000 (L)	1,181,074,000 (L)	28.53%
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)	34,000,000 (L)	35,398,000 (L)	0.86%
Mr. Huang Lianhai *(Note 3)*	Beneficial owner	–	23,000,000 (L)	23,000,000 (L)	0.56%
Mr. Jiang Xuejun *(Note 4)*	Beneficial owner	–	8,000,000 (L)	8,000,000 (L)	0.19%
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%
Ms. Meng Junfeng *(Note 4)*	Beneficial owner	–	3,000,000 (L)	3,000,000 (L)	0.07%

Remark: (L): Long position

Report of the Directors

Notes:

1. Mr. Zhang Fan is interested in 13,074,000 shares through personal interest and 1,160,000,000 shares through 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 and Mr. Wang Jingming 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 Ms. Meng Junfeng 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.

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 2021, 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 2021
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.

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 2021. Details of the Company's share option scheme are set out in note 35 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:

		Number of share options									
Name or category of participant	At 1 April 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2021	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
Directors											
Mr. Zhang Fan	4,000,000	–	–	–	–	–	4,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
	–	4,000,000	–	–	–	–	4,000,000	21 October 2020 to 20 October 2030	0.18	20 October 2020	0.035
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

Report of the Directors

		Number of share options									
Name or category of participant	At 1 April 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2021	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
Mr. Xing Yong	4,000,000	–	–	–	–	–	4,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
	–	30,000,000	–	–	–	–	30,000,000	21 October 2020 to 20 October 2030	0.18	20 October 2020	0.035
Mr. Jiang Xuejun	4,000,000	–	–	–	–	–	4,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
	–	4,000,000	–	–	–	–	4,000,000	21 October 2020 to 20 October 2030	0.18	20 October 2020	0.035
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
	–	20,000,000	–	–	–	–	20,000,000	21 October 2020 to 20 October 2030	0.18	20 October 2020	0.035
Mr. Du Yanhua	3,000,000	–	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079

Report of the Directors

Name or category of participant	At 1 April 2020	Number of share options: Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2021	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
Mr. Lai Liangquan	3,000,000	–	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
Ms. Meng Junfeng	–	3,000,000	–	–	–	–	3,000,000	21 October 2020 to 20 October 2030	0.18	20 October 2020	0.035
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	63,000,000	61,000,000	–	–	(3,000,000)	–	121,000,000				

Report of the Directors

Name or category of participant	At 1 April 2020	Number of share options: Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2021	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	23,800,000	–	–	–	(2,000,000)	–	21,800,000	19 May 2017 to 18 May 2022	0.18	19 May 2017	0.165
	19,500,000	–	–	–	(3,500,000)	–	16,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
	–	16,500,000	–	–	–	–	16,500,000	21 October 2020 to 20 October 2030	0.18	20 October 2020	0.035
Others *(note 1)*	19,600,000	–	–	–	–	–	19,600,000	19 May 2017 to 18 May 2022	0.18	19 May 2017	0.165
	8,000,000	–	–	–	–	–	8,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
	–	63,000,000	–	–	–	–	63,000,000	21 October 2020 to 20 October 2030	0.18	20 October 2020	0.035
Total	133,900,000	140,500,000	–	–	(8,500,000)	–	265,900,000				

Note 1: "Others" represents 15 business consultants of the Group who have contributed or are expected to contribute the Group and are eligible participants under the share option scheme of the Company.

During the year, share-based payment expanses amounted to approximately HK$0.9 million (2020: HK$9.9 million) was recognised in the income statement.

Report of the Directors

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 132 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.

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier and the five largest suppliers of the Group accounted for approximately 11.56% and 46.33%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 17.38% and 46.77%, 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.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the annual general meeting to be held on 9 September 2021, the register of members of the Company will be closed from 6 September 2021, Monday to 9 September 2021, Thursday, 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 3 September 2021, Friday.

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
Chairman of the Board and Executive Director

30 June 2021

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 2021 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 three executive directors, two 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 11 and 14 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 again upon resignation of an independent non-executive Director on 22 January 2020. Following the appointment of Ms. Meng Junfeng as an independent non-executive Director on 21 April 2020, the Company has fulfilled the requirement under Rule 3.10A 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 meetings
Executive Directors					
Mr. Zhang Fan (Chairman)	6/6	N/A	N/A	1/1	1/1
Mr. Chung Ho	6/6	N/A	N/A	N/A	1/1
Mr. Wang Jingming	6/6	N/A	N/A	N/A	0/1
Non-executive Directors					
Mr. Weng Yu (resigned on 8 March 2021)	4/5	N/A	N/A	N/A	0/1
Mr. Xing Yong	5/6	N/A	N/A	N/A	1/1
Mr. Huang Lianhai	6/6	N/A	N/A	N/A	0/1
Mr. Zhang Dawei (resigned on 24 August 2020)	2/2	N/A	N/A	N/A	0/0
Mr. Wang Yongming (resigned on 6 August 2020)	2/2	N/A	N/A	N/A	0/0
Independent non-executive Directors					
Mr. Jiang Xuejun	6/6	2/2	1/1	1/1	1/1
Mr. Du Yanhua	6/6	2/2	1/1	1/1	0/1
Mr. Lai Liangquan	6/6	2/2	1/1	1/1	1/1
Ms. Meng Junfeng (appointed on 21 April 2020)	6/6	2/2	1/1	1/1	1/1

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. Two, being the non-executive Directors and one, being the independent non-executive Director, did not attend the Company's annual general meeting held on 4 September 2020 due to their other unexpected business engagements.

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, 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 15 to the consolidated financial statements.

Corporate Governance Report

During the year, the Remuneration Committee reviewed the existing remuneration policies, and approved grant of share options of the Company.

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

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. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Meng Junfeng.

AUDITOR'S REMUNERATION

The Company's external auditors are Messrs. Elite Partners CPA Limited. For the year ended 31 March 2021, the external auditor's remuneration for audit services was HK$810,000.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 44 to 50 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 2021 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	1
HK$1,000,001 and above	0

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 2021.

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 2020 and the unaudited interim financial statements for the six months ended 30 September 2020, with recommendations to the Board for approval;
- reviewed reports on internal control system covering financial, operational, procedural compliance and risk management functions;
- 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. Lai Liangquan as the chairman, Mr. Jiang Xuejun, Mr. Du Yanhua and Ms. Meng Junfeng. The chairman of the audit committee, Mr. Lai Liangquan, 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 2021, 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 2021.

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 2020 to 31 March 2021. 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 Executive 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 2021, 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.

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.

Corporate Governance Report

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 including Mr. Zhang Fan, Mr. Chung Ho, Mr. Wang Jingming, Mr. Xing Yong, Mr. Huang Lianhai, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Meng Junfeng 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 2021 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.

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 2021.

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

The Environmental, Social and Governance ("ESG") Report published by China Health Group Limited (the "Company") outlines the various initiatives of the Company and its subsidiaries (collectively referred to as the "Group" or "we") in supporting sustainable development and the performance in the social and governance aspects for the year ended 31 March 2021 (the "Reporting Period").

Scope of the Report

The Group is principally engaged in (i) distribution and service in medical equipment and consumables; (ii) provision of hospital operations and management service; and (iii) business factoring; during the year. The environmental and social information of the Hospital, which has significant effect to the Group's performance on both environment and social aspects, has been included into the scope of ESG Report this year. The group has implemented a series of new management models and information technology system to improve the overall performance in the operation of the hospital. Trading of medical equipment smoothens 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.

Reporting Guidance

This ESG Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide ("ESG Guide") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Stakeholders Engagement

Acknowledging the importance of stakeholders' opinions, the Group has therefore committed itself to in-depth communication with all stakeholders through various channels, responding positively to the expectations and concerns of different stakeholders and enhancing corporate management capabilities. The Group's stakeholders are from different sectors, including equity shareholders, local and central governments of the People's Republic of China, Hong Kong supervision bodies related to listing compliance, employees, customers and suppliers. In addition to responding directly to the stakeholders' demands in daily operations, we have also established effective communication channels through regular meetings, general meetings, visits and interviews to understand the need of stakeholders and respond accordingly. The opinions of stakeholders are vastly beneficial to formulate and implement sustainable development strategies whereby we can improve ESG performance.

Environmental, Social and Governance Report

ENVIRONMENTAL

A.1 Emissions

The Group sticks to the principle of active participation and environmental responsibility and supports green activities and actively implements national policies with the aim of reduction on the consumption of natural resources. The Group is under the governance of the Environmental Protection Law of the People's Republic of China Prevention 《中華人民共和國環境保護法》, Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》 and Urban Drainage and Sewage Treatment Ordinance 《城鎮排水與污水處理條例》. During the Reporting Period, the Group did not notice any cases of non-compliance relating to environmental laws and regulations, including disposal of medical wastes and radioactive substances and the discharge of sewage.

Air Emission

The Group takes the initiative to examine the issue of air emission across its operation. Due to its business nature, the Group did not involve in any combustion processes or industrial activities that lead to direct air pollutant emission to the atmosphere. The Group thus concludes that its operation had no material impact through direct air emission to the environment. The Group also encourages staff to travel on the public transport or car-pooling in order to reduce the emissions of air pollutants.

Type	**Unit**	**Emission**	**Emission intensity** (unit per staff)
Nitrogen Oxides	g	19,757	165
Particular matters	g	625	5
Sulphur Oxides	g	374	3

Greenhouse gas emissions

The major source of greenhouses gas ("carbon dioxide" or "CO_2") emissions of the Group was from the use of electricity in the offices of the Group, which was used for empowering the offices' equipment. The emissions of CO_2 of the Group can be broadly classified into direct emissions (Scope 1), energy indirect emissions (Scope 2) and other indirect emissions (Scope 3).

Type	**Unit**	**Emissions**		**Emission intensity (kg per staff)**	
		2021	2020	**2021**	2020
Scope 1	kg	**68,859**	34,431	**574**	299
Scope 2	kg	**351,605**	293,318	**2,930**	2,551
Scope 3	kg	**18,122**	27,237	**151**	237
Total	kg	**438,586**	378,205	**3,655**	3,087

Environmental, Social and Governance Report

Sewage treatment

Water consumed at hospitals is discharged to the designated water treatment facilities. The Group places high importance to fluid waste management as it limits our employees' exposure to infectious fluid waste. Fluid waste is contained in suction canister or other designated containers before being discarded into proper locations. The Group is subject to the Urban Drainage and Sewage Treatment Ordinance 《城鎮排水與污水處理條例》.

Medical wastes management

Biological, chemical and clinical wastes in hospital are treated in strict accordance with the laws and regulations, including the Regulations on the Management of Medical Waste《醫療廢物管理條例》, the Implementation Measures of the Management of Medical Waste 《醫療衛生機構醫療廢物管理辦法》and the Medical Waste Management Regulations 《醫療垃圾管理條例》. Clinical wastes are separated and collected by authorized contractors of municipal environmental sanitation services to minimize the risks of contagion.

A.2 Use of Resources

Energy consumption

With the vision of protecting the planet and of incorporating environmental sustainability into its business functions and processes, the Group proactively seeks opportunities for increasing operating efficiency in order to minimize the use of resources.

The resources used by the Group are principally attributed to electricity and water consumed at offices. The Group has adopted green office practices to reduce natural resources consumption and the impact on the environment. For instance, offices are equipped teleconference and internet-meeting practices are encouraged to avoid unnecessary travel.

To achieve higher energy efficiency, the Group has implemented the following key initiatives during the Reporting Period:

- To switch off lights and air-conditioning in the meeting room and computers at work stations where not in use; and

- To select the best configuration for air-conditioning control programme for medical rooms, based on in-door requirement and out-door condition.

Environmental, Social and Governance Report

Water consumption

Water was supplied by the municipal water supply company and there were no issues in sourcing water that is fit for purpose. Confronted with the crisis of the scarcity of global water resources, the Group has formulated the Management System for Water Supply《供水管理制度》, and sewage is divided into domestic sewage and special wastewater in the hospital. We have adopted advanced sewage treatment system and the sewage can only be discharged when it meets the Standard for Sewage Discharge by Medical Institutions《醫療機構污水排放標準》.

Paper usage

The Group encourages staff to have duplex sided printings and reuse single-sided printed papers, and to communicate with internal and external through electronic media in order to reduce the use of paper.

Packing materials

The operational process of the Group, which are mainly engaged in distribution and service in medical equipment and consumables, provision of hospital operations and management service, business factoring and property investments, do not involve consumption of packaging materials or packaging material-related businesses. Therefore, no packing materials have been consumed during the Reporting Period.

Resources Utilisation

Type	**Unit**	**Utilisation**		**Intensity (unit per staff)**	
		2021	2020	**2021**	2020
Electricity	kWh	**364,974**	350,565	**3,041**	3,048
Water	Tonne	**1,753**	8,225	**15**	72
Paper	kg	**1,010**	198	**8**	2
Petrol	L	**25,415**	14,821	**212**	129

A.3 The Environmental and Natural Resources

The Group is committed to provide high quality services to customers while maintaining the adverse impact brings to the environment at a minimal level. In addition, China is now popular in the usage of motion-sensor lighting to reduce unnecessary electricity consumption and the employees are pleased to support the Group's energy saving measures. Therefore, the China site of the Group is using the motion-sensor lighting to have minimal electricity consumption.

Environmental, Social and Governance Report

SOCIAL

B.1 Employment

Recruitment, promotion and compensation

The Group rewards its employees with competitive remuneration, along with promotional opportunities, compensation and benefits packages to attract and retains talents. Remuneration is determined with reference to the prevailing market condition as well as the competency, qualifications and experience of individual employee.

The Group strictly complies with the Employment Ordinance and Mandatory Provident Fund Schemes Ordinance of the Laws of Hong Kong, Labour Contract Law of the PRC《中華人民共和國勞動合同法》, Presidential Decree of the PRC《中華人民共和國社會保險法》and other applicable laws and regulations relating to employment.

Equal opportunities, diversity and anti-discrimination

The Group also promotes equal opportunity. Renumeration scheme and job appraisal are based on the ability, specialty and working performance of each staff. During the Reporting Period, non-compliance with regulations concerning employment and equal opportunity have not been noticed.

As equal opportunity employer, the Group is committed to providing a working environment that is free from discrimination on the basis of ethnic group, gender, age, religion, nationality, or disability. This includes employment practices, such as hiring, transfer, recruitment, training, promotion, discipline, rates of pay and benefits, in order to ensure employees and job applicants enjoy equal opportunities and fair treatment. We are committed to creating a corporate culture and a working atmosphere of equality, respect, diversity and mutual support.

Workforce

As at 31 March 2021, the Group has 116 (2020: 115) employees with an overall gender ratio between male and female at 1:1.5 (2020: 1:1.67).

Name of indicators		**2021**	2020
Total workforce		**116**	115
Gender	Male	**47**	43
	Female	**69**	72
Age	20-29	**35**	29
	30-39	**42**	54
	40-49	**16**	14
	50-59	**15**	10
	60 or above	**8**	8

Environmental, Social and Governance Report

B.2 Health and Safety

As employees are the most important asset and resource of the Company, it is of utmost importance to provide a healthy and safe working environment for the employees in a reasonable and practicable situation. The Group has established a set of policies which focused on keeping a safe and healthy workplace, including the following requirements:

- Relevant training and knowledge should be provided to employees in respect to risks associated with goods handling in the medical facilities.

- The warning wording has been posted into the obvious area of the medical institutions to emphasis the health and safety practice.

Occupational health and safety statistics	**2021**	2020	2019
Number of lost days due to work injury	**Nil**	Nil	Nil
Number of work-related fatalities incident	**Nil**	Nil	Nil
Number of work injuries incident	**Nil**	Nil	Nil

B.3 Development and Training

The Group aims to create an environment of continuous improvement in which our employees are encouraged to pursue excellence at work and career development. Customised training programs are arranged for staff members at different levels and from across its divisions on an ongoing basis throughout the Group. Induction program is offered to new joiners for learning the culture and the practices of the Group. The Group places great emphasis on its staff training and has established comprehensive training systems. Its key principles consist of all members of an organization participation; target-oriented; program aimed, monitoring in process, comprehensive, trackable and measurable.

The Group has established an award system for experienced and eligible staff to provide trainings to fellows. It is the Group policy that every staff, including management should attend training every year. Further, the Group encourages the staff to keep continuing education and lifelong learning, and enhance vocational retraining. The Group offers training time off and examination leave allowance for every worker.

Environmental, Social and Governance Report

B.4 Labour Standards

As for preventing child labour or forced labour, the Group strictly complies with Labor Law of the PRC《中華人民共和國勞動法》, the Employment Contract Law of the PRC《中華人民共和國勞動合同法》and other relevant laws and regulations.

The recruitment process of the Group is firmly based on the recruitment policy and guideline designed by the Human Resource Department. The department managed their employees in a professional manner when such employees were recruited and employed, so as to eliminate situations such as child labour and forced labour in the Group. Employees are hired in accordance with specific job requirements and talent matching process to build a sustainable workforce.

Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately and the discovered issue will be reviewed and discussed with the Board to prevent it from happening again. During the Reporting Period, the Group was not aware of any material violation of the relevant laws and regulations prohibiting the employment of child labour or forced labour.

B.5 Supply Chain Management

The Group maintains long term relationship with its suppliers for ensuring stable supply of medical materials. Group's suppliers are appointed from the approved list which is reviewed yearly. The approved list of suppliers is subjected to product quality and environmental commitment.

In our frontline operations, we focus on environmentally friendly materials such as paper and bio-degradable items. During the Reporting Period, we did not identify any material risks and issues on supply chain management.

B.6 Product Responsibility

The Group has implemented a series of measures to ensure customer satisfaction and product quality. Suppliers of medical equipment and consumables are all authorised suppliers from the municipal government and regulatory bodies. The Group's products are in full compliance with Product Quality Law of the People's Republic of China 《中華人民共和國產品質量法》. During the Reporting Period, no products were returned due to safety or quality problems nor any complaint received from customers.

Intellectual property and data privacy

Due to the business nature, our staff deals with an enormous amount of personal data of patients. The group takes responsibility to protect information in all forms, especially confidential health information of patients. In order to protect personal information of patients and information leakage, the Group has established policy in accordance with the Law of Protection of Consumer Rights and Interests. During the Reporting Period, the Group did not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to privacy matters.

Environmental, Social and Governance Report

B.7 Anti-Corruption

The Group is committed to adhering to the highest ethical standards. The laws and regulations related to anti-corruption including the Criminal Law of the PRC 《中華人民共和國刑法》, Interim Provisions on Banning Commercial Bribery《關於禁止商業賄賂行為的暫行規定》and Anti-Unfair Competition Law of the PRC《中華人民共和國反不正當競爭法》.

The Group has implemented specific measures to detect and deter money laundering and the financing of terrorist activities. For instance,

1. Establishing record keeping and client identification requirements for financial services providers.

2. Requiring the reporting of suspicious financial transactions and of cross-border movements of currency.

3. Establishing an agency that is responsible for ensuring compliance with the Act.

During the Reporting Period, no legal case or dispute in respect of bribery, extortion, fraud or money laundering was charged against the Group.

B.8 Community Investment

The Company recognises the importance of contributing within the local community and encourages employees to develop close relationship with charities and other institutions, both locally and nationally, in order to build more economically sustainable environment. Extensive efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Company operates.

In the future, the Group will:

a) seek opportunities to work with charitable organisations to get involved in various community programs and contribute to society; and

b) promote the health of its employees and customers by organising and taking part in sports and fitness activities.

The Group is also committed to provide career opportunities to the locals and promoting the development of the community's economy.

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)

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 51 to 131, which comprise the consolidated statement of financial position as at 31 March 2021, 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.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the 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.

BASIS FOR OPINION

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 trade receivables	
As at 31 March 2021, the Group had trade receivables of approximately HK$56 million, net of impairment. We had identified impairment of trade 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. After the management assessment, management has concluded that there is no impairment in respect of trade receivables.	Our audit procedures to address the impairment of trade receivables included the following: • Testing the accuracy of the aging of receivables balances on a sample basis. • Assessing the reasonableness of management's loss allowance estimates on trade 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 2021, the Group had loan and interest receivables of approximately HK$80 million. 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 and interest receivables included the following: • We discussed with management if there is any indicator of impairment of the loan and interest receivables and assessed 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.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How the matter was addressed in our audit
Impairment assessment of goodwill relating to hospital management business	
The Group had HK$23 million of goodwill as at 31 March 2021 relating to the hospital management business. No impairment loss of good will was recognized in the consolidated income statement. Management assessed whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 5 to the consolidated financial statements. The recoverable amounts of cash generating units("CGU") have been determined by management based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets based on financial budgets approved by management which involve the use of judgement applied by management such as determining revenue growth rate, terminal growth rate and discount rate. Due to the existence of estimation uncertainty and management judgement of goodwill relating to hospital management business, we considered it a key audit matter.	The procedures performed to assess the methodologies and assumption used by management in the impairment assessment of goodwill are summarized below: • Obtained an understanding of the management's control procedures of the impairment assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Evaluated and tested the key controls over the impairment assessment process; • Evaluated the calculation methodologies used in the impairment assessment; • Agreed the input data to supporting evidence on a sample basis such as historical results and financial budgets approved by management; and • Assessed the reasonableness of key assumptions such as revenue growth rate, terminal growth rate and discount rate applied by management including discussion with management, comparing the current year actual results with the prior year forecast and benchmarking to available market information, to assess the reasonableness of management forecasts. We considered the assumptions used by management in the impairment assessment of goodwill to be supported by available evidence.

Independent Auditor's Report (Continued)

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.

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 section 90 of Bermuda Companies Act 1981, 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, 30 June 2021

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 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	*10*	**87,889**	45,160
Cost of good sold/service rendered		**(61,897)**	(27,908)
Gross profit		**25,992**	17,252
Other income	*11*	**6,476**	7,798
Other gain/(loss), net	*11*	**668**	(14,937)
Share-based payment	*13*	**(895)**	(9,926)
Selling and distribution expenses		**(9,508)**	–
Administrative expenses		**(27,770)**	(33,121)
Finance costs	*12*	**(294)**	(148)
Fair value loss on investment properties	*22*	**–**	(1,258)
LOSS BEFORE TAX	*13*	**(5,331)**	(34,340)
Income tax	*14*	**(1,228)**	(1,435)
LOSS FOR THE YEAR		**(6,559)**	(35,775)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(7,744)**	(36,679)
Non-controlling interests	*41*	**1,185**	904
		(6,559)	(35,775)
LOSS PER SHARE	*16*		
Basic		**(HK0.19 cents)**	(HK0.89 cents)
Diluted		**(HK0.19 cents)**	(HK0.89 cents)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 March 2021

	2021	2020
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(6,559)**	(35,775)
Other comprehensive expense:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**4,916**	(11,157)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(1,643)**	(46,932)
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	**(2,828)**	(47,971)
Non-controlling interests	**1,185**	1,039
	(1,643)	(46,932)

Consolidated Statement of Financial Position

At 31 March 2021

	Notes	2021 *HK$'000*	2020 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**25,073**	24,295
Right-of-use assets	*18*	**4,023**	5,034
Goodwill	*19*	**22,603**	22,603
Intangible asset	*20*	**–**	–
Investment in an associate	*21*	**–**	–
Investment properties	*22*	**–**	–
Deposit for property, plant and equipment		**1,658**	–
		53,357	51,932
CURRENT ASSETS			
Inventories	*24*	**5,080**	6,560
Trade receivables	*25*	**56,317**	35,838
Prepayments, deposits and other receivables	*26*	**18,524**	5,013
Loan and interest receivables	*23*	**79,946**	87,243
Cash and bank balances	*27*	**4,594**	10,245
		164,461	144,899
CURRENT LIABILITIES			
Trade payables	*28*	**17,079**	14,099
Other payables and accrued expenses	*29*	**86,653**	70,063
Amount due to a director	*37(b)*	**5,758**	–
Contract liabilities	*30*	**651**	2,422
Lease liabilities	*31*	**1,084**	1,266
Bank loan	*32*	**3,553**	–
Tax payable		**2,327**	6,383
		117,105	94,233

Consolidated Statement of Financial Position (Continued)

At 31 March 2021

	Notes	2021 *HK$'000*	2020 *HK$'000*
NET CURRENT ASSETS		**47,356**	50,666
TOTAL ASSETS LESS CURRENT LIABILITIES		**100,713**	102,598
NON-CURRENT LIABILITIES			
Lease liabilities	*31*	**727**	1,864
NET ASSETS		**99,986**	100,734
EQUITY			
Equity attributable to owners of the Company			
Share capital	*33*	**413,995**	413,995
Reserves		**(318,956)**	(317,023)
		95,039	96,972
Non-controlling interests	*41*	**4,947**	3,762
TOTAL EQUITY		**99,986**	100,734

Approved and authorised for issue by the Board of Directors on 30 June 2021

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

Consolidated Statement of Changes In Equity

For the Year ended 31 March 2021

	Share capital	Share premium	Contributed surplus	Foreign currency translation reserve	Share options reserve	Accumulated losses	Total	Non-controlling interests	Total
	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)*				
At 1 April 2019	409,395	525,958*	57,124*	3,109*	4,000*	(869,169)*	130,417	1,628	132,045
(Loss)/profit for the year	–	–	–	–	–	(36,679)	(36,679)	904	(35,775)
Other comprehensive (expense)/income for the year	–	–	–	(11,292)	–	–	(11,292)	135	(11,157)
Total comprehensive (expense)/income for the year	–	–	–	(11,292)	–	(36,679)	(47,971)	1,039	(46,932)
Subscription of shares	4,600	–	–	–	–	–	4,600	–	4,600
Grant of share options	–	–	–	–	9,926	–	9,926	–	9,926
Forfeited of share options	–	–	–	–	(8,532)	8,532	–	–	–
Capital attribution from non-controlling interests	–	–	–	–	–	–	–	1,095	1,095
At 31 March 2020	413,995	525,958*	57,124*	(8,183)*	5,394*	(897,316)*	96,972	3,762	100,734
At 1 April 2020	**413,995**	**525,958**	**57,124**	**(8,183)**	**5,394**	**(897,316)**	**96,972**	**3,762**	**100,734**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**(7,744)**	**(7,744)**	**1,185**	**(6,559)**
Other comprehensive income for the year	**–**	**–**	**–**	**4,916**	**–**	**–**	**4,916**	**–**	**4,916**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**4,916**	**–**	**(7,744)**	**(2,828)**	**1,185**	**(1,643)**
Grant of share options	**–**	**–**	**–**	**–**	**895**	**–**	**895**	**–**	**895**
Forfeited of share options	**–**	**–**	**–**	**–**	**(205)**	**205**	**–**	**–**	**–**
At 31 March 2021	**413,995**	**525,958***	**57,124***	**(3,267)***	**6,084***	**(904,855)***	**95,039**	**4,947**	**99,986**

* *These reserve amounts comprise the consolidated deficiency in reserves of approximately HK$318,956,000 (2020: HK$317,023,000) in the consolidated statement of financial position.*

Consolidated Statement of Changes In Equity (Continued)

For the Year ended 31 March 2021

(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 2021 and 2020, the Company did not have any reserve available for distribution to shareholders.

(c) 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 5 to the consolidated financial statements.

(d) 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 5 to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Loss before tax:	(5,331)	(34,340)
Adjustments for:		
Finance costs	224	148
Interest income	(8)	(530)
Loan interest income	(5,135)	(5,857)
Loan interest expense	70	–
Depreciation of property, plant and equipment	2,830	1,214
Depreciation of right-of-use assets	741	553
Amortisation of intangible assets	–	737
Other (gain)/loss, net	(655)	14,937
Loss on disposal of property, plant and equipment	187	26
Derecognition of right-of-use asset	(13)	–
Fair value change on investment properties	–	1,258
Share-based payment	895	9,926
Operating cash flow before movement in working capital	(6,195)	(11,928)
Increase in deposit for property, plant and equipment	(1,658)	–
Decrease/(increase) in inventories	1,480	(6,570)
Decrease/(increase) in loan and interest receivables	13,154	(1,094)
Increase in trade receivables	(20,355)	(18,855)
(Increase)/decrease in prepayments, deposits and other receivables	(13,702)	17,764
Increase/(decrease) in trade payables	2,980	(823)
Increase/(decrease) in other payables and accrued expenses	16,590	(2,942)
(Decrease)/increase in contract liabilities	(1,771)	2,484
Increase in amount due to a director	5,758	–
Net cash used in operations	(3,719)	(21,964)
Income tax paid	(5,284)	(326)
Net cash used in operating activities	(9,003)	(22,290)

Consolidated Statement of Cash Flows (Continued)

For the Year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,840)	(427)
Bank interest received	8	530
Net cash outflow from acquisition of a subsidiary	–	(2,368)
Net cash used in from investing activities	(1,832)	(2,265)
Cash flows from financing activities		
Capital element of lease rentals paid	(921)	(717)
Proceed from bank loan	3,553	–
Loan interest paid	(70)	–
Subscription of shares	–	4,600
Capital contribution from non-controlling interests	–	1,095
Net cash flows generated from financing activities	2,562	4,978
Net decrease in cash and cash equivalents	(8,273)	(19,577)
Effect of foreign exchange rate changes, net	2,622	(112)
Cash and cash equivalents at beginning of the year	10,245	29,934
Cash and cash equivalents at end of the year	4,594	10,245
Analysis of cash and cash equivalents:		
Cash and bank balances	4,594	10,245

Notes to the Consolidated Financial Statements

For the Year ended 31 March 2021

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 and the principal activities of its subsidiaries are engaged in distribution and service in medical equipment and consumables, hospital operation and management services, business 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Basis of consolidation *(Continued)*

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

4. NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

		Effective for annual periods beginning on or after
Amendments to annual improvements project	Annual improvements 2018-2020 cycle	1 April 2022
Amendments to HKAS 1	Presentation of financial statements on classification of liabilities	1 April 2023
Amendments to HKAS 1 and Practice Statement 2	Disclosure of accounting policies	1 April 2023
Amendments to HKAS 8	Definition of accounting estimates	1 April 2023
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use	1 April 2022
Amendments to HKAS 37	Onerous contracts: Costs of fulfilling a contract	1 April 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 April 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark Reform – Phase 2	1 April 2021

The directors of the Company consider that the application of all new and amendments to HKFRSs and HKASs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

5. 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 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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 2021

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

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates is incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

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 2021

5. 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 2021

5. 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:

Buildings	4%
Medical equipment	17%
Leasehold improvement	20%
Furniture, fixtures and equipment	20%
Motor vehicle	25%
Software	10%

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 2021

5. 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Leasing

Upon the adoption of HKFRS 16

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements (Continued)
For the Year ended 31 March 2021

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

Leasing *(Continued)*

Upon the adoption of HKFRS 16 *(Continued)*

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Leasing *(Continued)*

Upon the adoption of HKFRS 16 *(Continued)*

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. 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.

The lease payments include fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Financial assets

Classification of financial assets

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Financial assets *(Continued)*

Classification of financial assets *(Continued)*

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.

- 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Financial assets *(Continued)*

Classification of financial assets *(Continued)*

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).

Impairment on financial assets

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); and

- contract assets as defined in HKFRS 15.

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 2021

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

Impairment on financial assets *(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 30 days past due.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Impairment on financial assets *(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 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

Trade and other 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 credit rating on debtors 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Trade and other receivables *(Continued)*

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

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.

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

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 2021

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

Financial liabilities *(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, 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 2021

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

Financial liabilities *(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 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.

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 2021

5. 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 2021

5. 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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

- Distribution and service in medical equipment and consumables;
- Hospital operation and management services; and
- Business service;

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Revenue recognition *(Continued)*

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

i. a good or service (or a bundle of goods or services) that is distinct; or

ii. a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

i. the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

ii. the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

ii. the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

iii. the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Revenue recognition *(Continued)*

Timing of revenue recognition *(Continued)*

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Distribution and service in medical equipment and consumables is recognised at a point in time at which customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Services income from provision of hospital operation and management services, business service and property investment are recognised over time when services are rendered.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Share-based payment transactions *(Continued)*

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 Scheme 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 2021

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

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 2021

6. 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining periods.

Estimated allowance of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and marketability of the inventories. Where the subsequent selling prices decline or increase in costs of completion and those necessary to make the sales, additional allowance may arise.

Recognition of share-based payment

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 directors, with the assistance of an independent professional valuer, have used the Binomial Option Pricing Model to determine the total fair value of the options granted, which is to be expensed over the vesting period as appropriate. Significant estimate on assumptions, such as share price volatility and dividend yield, is required to be made by the directors in applying the Binomial Option Pricing Model. Details of share-based compensation expenses are set out in Note 35.

Loss allowance for ECL

The Group's management estimates the loss allowance for trade receivables and loan and interest 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 credit rating 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 2021

6. 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.

7. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

8. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets:		
Amortised cost	155,215	138,294
Financial liabilities:		
Amortised cost	105,543	86,656

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loan and interest receivables, deposits and other receivables, cash and bank balances, trade and other payables and lease liabilities. 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:

	2021 HK$'000	2020 HK$'000
RMB	53,579	73,947

At 31 March 2021, 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$5,358,000 higher/lower (2020: HK$7,395,000 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 2021

8. 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 2021 and 2020, 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 expected credit loss of other receivables was approximately HK$191,000 (2020: HK$25,000).

The Group only trades with recognised and creditworthy third parties. As at 31 March 2021, the Group has concentration of credit risk of 43% (2020: 54%) and 70% (2020: 82%) 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 2021

8. 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:

	2021			2020		
	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	17,079	–	17,079	14,099	–	14,099
Other payables and accrued expenses	86,653	–	86,653	69,427	–	69,427
Lease liabilities	1,084	727	1,811	1,266	1,864	3,130
	104,816	727	105,543	84,792	1,864	86,656

(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 2021

8. 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).

9. 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 rendered.

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

– Distribution and service in medical equipment and consumables;

– Hospital operation and management services; and

– Business service

Segment assets excluded 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 2021

9. 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 2021 and 2020:

For the year ended 31 March 2021	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management services *HK$'000*	Business service *HK$'000*	Total *HK$'000*
Segment revenue				
Revenue from external customers	68,768	18,364	757	87,889
Segment results	2,640	(2,340)	(1,481)	(1,181)
Reconciliation:				
Interest income and unallocated income				1,444
Corporate and other unallocated expenses				(5,594)
Loss before tax				(5,331)
Depreciation and amortisation	139	3,414	5	3,558
Reconciliation:				
Unallocated depreciation and amortisation				13
				3,571

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

9. OPERATING SEGMENT INFORMATION *(Continued)*

For the year ended 31 March 2020	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management services *HK$'000*	Business service *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue					
Revenue from external customers	29,653	11,104	3,671	732	45,160
Segment results	3,388	(11,580)	(7,085)	(1,503)	(16,780)
Reconciliation:					
Interest income and unallocated income					1,335
Corporate and other unallocated expenses					(18,895)
Loss before tax					(34,340)
Depreciation and amortisation	24	1,923	18	238	2,203
Reconciliation:					
Unallocated depreciation and amortisation					301
					2,504

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

9. 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 2021 and 2020:

For the year ended 31 March 2021

	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management services *HK$'000*	Business service *HK$'000*	Total *HK$'000*
Segment assets	**55,757**	**71,564**	**18,906**	**146,227**
Corporate and other unallocated assets				**71,591**
Total assets				**217,818**
Segment liabilities	**78,273**	**29,562**	**2,128**	**109,963**
Corporate and other unallocated liabilities				**7,869**
Total liabilities				**117,832**

For the year ended 31 March 2020

	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management services *HK$'000*	Business service *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment assets	20,594	79,139	60,738	35,226	195,697
Corporate and other unallocated assets					1,134
Total assets					196,831
Segment liabilities	7,070	24,760	964	2,066	34,860
Corporate and other unallocated liabilities					61,237
Total liabilities					96,097

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

9. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

For the years ended 31 March 2021 and 2020, 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 2021 and 2020, the Group had transactions with one customer (2020: one customer) who contributed over 10% of the Group's total net revenue, which is summarised below:

	2021	2020
	HK$'000	*HK$'000*
Customer 1	**10,456**	7,584

10. 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 rendered, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by major products or services lines:		
Income from distribution and service in medical equipment and consumables*	**68,768**	29,653
Income from provision of hospital operation and management services* *(Note)*	**18,364**	11,104
Service fee income*	**757**	3,671
Rental income*	**–**	732
	87,889	45,160

* Income from provision of hospital operation and management services, service fee income and rental income are recognised over time and income from distribution and service in medical equipment and consumables is recognised at a point in time.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

10. REVENUE *(Continued)*

Note: The amount comprises (a) the management fee income from Shuangluan Hospital of approximately HK$3,088,000 (2020: approximately HK$3,293,000); (b) the management fee income and hospital operation income from Anping Hospital of approximately HK$15,276,000 (2020: HK$7,811,000).

11. OTHER INCOME/OTHER LOSS, NET

	2021	2020
	HK$'000	*HK$'000*
(i) Other income:		
Exchange gain	–	3
Loan interest income	**5,135**	5,857
Interest income	**8**	530
Sundry income	**1,333**	1,408
	6,476	7,798
(ii) Other gain/(loss), net:		
Reversed/(recognised) of impairment loss on loan and interest receivables	**722**	(3,417)
Reversed of impairment loss on trade receivables	**124**	1,870
Recognised of impairment loss on other receivables	**(191)**	(25)
Derecognition of right-of-use asset	**13**	–
Derecognition of intangible asset	**–**	(13,365)
	668	(14,937)

12. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on lease liabilities	**224**	148
Interest on bank loan	**70**	–
	294	148

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

13. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2021	2020
	HK$'000	*HK$'000*
Auditors' remuneration	810	810
Depreciation of right-of-use assets	741	553
Depreciation of property, plant and equipment	2,830	1,214
Loss on disposal of property, plant and equipment	187	26
Amortisation of intangible assets	–	737
Derecognition of intangible asset	–	13,365
Short-term lease payment	1,140	1,062
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	17,056	16,214
– Share-based payment	895	9,926
– Contributions to defined contribution retirement plans	410	558

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

14. INCOME TAX

Hong Kong Profit Tax is calculated at the rate 16.5% (2019: 16.5%) on the estimated assessable profits for the year. 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% (2020: 25%).

	2021	2020
	HK$'000	*HK$'000*
Current tax- PRC		
Provision for the year	1,228	1,435

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:

	2021	2020
	HK$'000	*HK$'000*
Loss before tax	(5,331)	(34,340)
Tax at the statutory rate in the PRC of 25%	(1,333)	(8,585)
Effect of different tax rate of subsidiaries operating in other jurisdictions	1	1,745
Tax effect of non-taxable income	(2)	(132)
Tax effect of non-deductible expenses	973	3,969
Tax losses not recognised	1,589	4,438
Tax charge for the year	1,228	1,435

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

15. 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 2021

	Note	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Share-based Payment HK$'000	Total HK$'000
EXECUTIVE DIRECTORS						
Mr. Weng Yu	*h*	–	94	–	66	160
Mr. Chung Ho		–	1,200	18	660	1,878
Mr. Wang Jingming		–	600	–	66	666
Mr. Zhang Fan		–	1,200	18	88	1,306
NON-EXECUTIVE DIRECTORS						
Mr. Xing Yong		300	–	–	88	388
Mr. Huang Lianhai		100	–	–	66	166
Mr. Wang Yongming	*i*	–	–	–	–	–
Mr. Zhang Dawei	*j*	–	–	–	–	–
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. Jiang Xuejun		100	–	–	88	188
Mr. Du Yanhua		100	–	–	66	166
Mr. Lai Liangquan		100	–	–	66	166
Ms. Meug Junfeng	*g*	100	–	–	–	100
		800	3,094	36	1,254	5,184

No director had waived any emoluments during the years ended 31 March 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Directors' emoluments *(Continued)*

Year ended 31 March 2020

	Note	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Contributions to retirement benefit schemes *HK$'000*	Share-based Payment *HK$'000*	Total *HK$'000*
EXECUTIVE DIRECTORS						
Mr. Weng Yu	*f*	–	452	–	66	518
Mr. Chung Ho		–	1,200	18	660	1,878
Mr. Wang Jingming		–	1,200	–	66	1,266
Mr. Zhang Fan		–	1,200	18	88	1,306
NON-EXECUTIVE DIRECTORS						
Mr. Xing Yong		362	–	–	88	450
Mr. Wang Yuexiang	*d*	49	–	–	–	49
Mr. Huang Lianhai		100	–	–	66	166
Mr. Qiu Peiyuan	*a*	42	–	–	88	130
Mr. Wang Yongming	*c*	561	–	–	–	561
Mr. Zhang Dawei	*c*	337	–	–	–	337
Mr. Weng Yu	*f*	–	–	–	–	–
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. Xiao Zuhe	*e*	97	–	–	–	97
Mr. Jiang Xuejun		110	–	–	88	198
Mr. Du Yanhua		100	–	–	66	166
Mr. Lai Liangquan	*b*	100	–	–	66	166
Ms. Meug Junfeng	*g*	–	–	–	–	–
		1,858	4,052	36	1,342	7,288

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Directors' emoluments *(Continued)*

Notes:

a) Mr. Qiu Peiyuan has been appointed as non-executive director of the Company effective from 6 April 2018 and resigned on 2 September 2019.

b) Mr. Lai Liangquan has been appointed as an independent non-executive director of the Company with effective from 5 March 2019.

c) Mr. Wang Yongming and Mr. Zhang Dawei have been appointed as non-executive director of the Company with effective from 4 June 2019.

d) Mr. Wang Yuexiang resigned from non-executive director of the Company with effective from 2 September 2019.

e) Mr. Xiao Zuhe resigned from independent non-executive director of the Company with effective from 22 January 2020.

f) Mr. Weng Yu was re-designated as non-executive director of the Company with effective from 27 March 2020.

g) Ms. Meug Junfeng has been appointed as independent non-executive director of the Company with effective from 21 April 2020.

h) Mr. Weng Yu resigned from executive director of the Company with effective from 8 March 2021.

i) Mr. Wang Yongming resigned from non-executive director of the Company with effective from 6 August 2020.

j) Mr. Zhang Dawei resigned from non-executive director of the Company with effective from 22 August 2020.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

15. 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, five (2020: four) were directors of the Company whose emoluments are presented above. The emoluments of the remaining nil individual in 2021 (2020: one individuals) were as follows:

	2021	2020
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	–	630
Contributions to retirement benefit schemes	–	–
	–	630

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	
	2021	2020
Nil to HK$1,000,000	–	1
HK$1,000,001 to 1,500,000	–	–

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 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

16. LOSS PER SHARE

	2021	2020
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:	**(7,744)**	(36,679)

	2021	2020
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating loss per share	**4,122,304**	4,122,304

(a) Basic loss per share

For the year ended 31 March 2021, the calculation of basic loss per share is based on the net loss for the year of approximately HK$7,744,000 (2020: approximately HK$36,679,000) attributable to the equity holders of the Company, and weighted average of approximately 4,122,304,000 (2020: approximately 4,122,304,000) 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 2021

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Medical equipment HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Software HK$'000	Total HK$'000
Cost:							
At 1 April 2019	–	–	–	644	–	–	644
Acquisition of subsidiary	–	7,322	5,167	1,752	–	2,001	16,242
Transfer from investment properties	14,086	–	–	–	–	–	14,086
Addition	–	51	71	5	255	45	427
Written off	–	(26)	–	(38)	–	–	(64)
Exchange realignment	(177)	(93)	(67)	(51)	(6)	(26)	(420)
At 31 March 2020 and 1 April 2020	**13,909**	**7,254**	**5,171**	**2,312**	**249**	**2,020**	**30,915**
Addition	**–**	**492**	**359**	**70**	**896**	**23**	**1,840**
Written off	**–**	**–**	**–**	**(330)**	**–**	**–**	**(330)**
Exchange realignment	**1,141**	**611**	**436**	**167**	**50**	**166**	**2,571**
At 31 March 2021	**15,050**	**8,357**	**5,966**	**2,219**	**1,195**	**2,209**	**34,996**
Accumulated depreciation:							
At 1 April 2019	–	–	–	313	–	–	313
Acquisition of subsidiary	–	2,677	963	1,008	–	588	5,236
Provided for the year	212	423	324	145	20	90	1,214
Disposal	–	(18)	–	(20)	–	–	(38)
Exchange realignment	(4)	(44)	(20)	(26)	(1)	(10)	(105)
At 31 March 2020 and 1 April 2020	**208**	**3,038**	**1,267**	**1,420**	**19**	**668**	**6,620**
Provided for the year	**521**	**1,047**	**686**	**197**	**139**	**240**	**2,830**
Disposal	**–**	**–**	**–**	**(143)**	**–**	**–**	**(143)**
Exchange realignment	**34**	**283**	**126**	**104**	**6**	**63**	**616**
At 31 March 2021	**763**	**4,368**	**2,079**	**1,578**	**164**	**971**	**9,923**
Net carrying values							
At 31 March 2021	**14,287**	**3,989**	**3,887**	**641**	**1,031**	**1,238**	**25,073**
At 31 March 2020	13,701	4,216	3,904	892	230	1,352	24,295

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

18. RIGHT-OF-USE ASSETS

	Leasehold land *HK$'000*	Leasehold buildings *HK$'000*	Medical equipment *HK$'000*	Total *HK$'000*
Cost:				
At 1 April 2019	–	–	–	–
Acquisition of subsidiary	–	–	4,411	4,411
Transfer from investment property	1,526	–	–	1,526
Additions	–	860	–	860
Exchange realignment	(19)	–	(55)	(74)
At 31 March 2020 and 1 April 2020	**1,507**	**860**	**4,356**	**6,723**
Written off	**–**	**(860)**	**–**	**(860)**
Exchange realignment	**123**	**–**	**357**	**480**
At 31 March 2021	**1,630**	**–**	**4,713**	**6,343**
Accumulated depreciation:				
At 1 April 2019	–	–	–	–
Acquisition of subsidiary	–	–	1,158	1,158
Provided for the year	23	251	279	553
Exchange realignment	(1)	–	(21)	(22)
At 31 March 2020 and 1 April 2020	**22**	**251**	**1,416**	**1,689**
Provided for the year	**56**	**–**	**685**	**741**
Written off	**–**	**(251)**	**–**	**(251)**
Exchange realignment	**4**	**–**	**138**	**142**
At 31 March 2021	**82**	**–**	**2,239**	**2,321**
Carrying amount:				
At 31 March 2021	**1,548**	**–**	**2,474**	**4,022**
At 31 March 2020	1,485	609	2,940	5,034

Leasehold Land

The Group's leasehold land in the PRC under medium lease within 50 years.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

18. RIGHT-OF-USE ASSETS *(Continued)*

Leased buildings

The Group leased buildings for its operation. Leased contract are entered into for fixed term of 2 years.

Other leases

The Group leases medical equipment under leases expiring more than two years. None of the leases includes variable lease payments.

19. GOODWILL

	Hospital management business *HK$'000*
Cost:	
At 1 April 2019	–
Acquisition of subsidiary	22,890
Exchange realignment	(287)
At 31 March 2020, 1 April 2020 and 31 March 2021	22,603
Accumulated impairment:	
At 1 April 2019	–
Impairment	–
Exchange realignment	–
At 31 March 2020, 1 April 2020 and 31 March 2021	–
Net carrying value:	
At 31 March 2021	22,603
At 31 March 2020	22,603

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

19. GOODWILL *(Continued)*

During the year ended 31 March 2021, the Group acquired 100% issued share capital of Anping Kangrong Hospital Co., Ltd and therefore goodwill approximately HK$22,890,000 was recognised upon the acquisition.

The recoverable amount of CGU has been determined based on a value in use calculation and based on a valuation by an independent valuer. That calculation adopted cash flow projections covering a 5-year period (Acquisition date: 5-year period), based on financial budgets approved by the management with discount rate of 11.89% (2020: 12.83%) per annum. Cash flows beyond the 5 year period (Acquisition date: 5-year period) are extrapolated with 3% (2020: 3%) growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted service income, gross margin and revenue growth of 17% to 25% (2020: 17% to 23%). Such estimation is based on the unit's past performance and management's expectations of the market development.

During the year ended 31 March 2021, management of the Group determined that there is no impairment on the CGU. Management believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

20. INTANGIBLE ASSET

	Operating right for hospital *HK$'000* *(Note)*
Cost	
At 1 April 2019	17,544
Derecognition upon acquisition of a subsidiary	(16,838)
Exchange realignment	(706)
At 31 March 2020 and 31 March 2021	–
Accumulated amortisation and impairment	
At 1 April 2020	2,852
Amortisation	737
Written back upon acquisition of a subsidiary	(3,473)
Exchange realignment	(116)
At 31 March 2020 and 31 March 2021	–
Carrying amounts	
At 31 March 2020 and 31 March 2021	–

Note:

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. The operating right was derecognised upon acquisition of subsidiary.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

21. INVESTMENT IN ASSOCIATE

	2021	2020
	HK$	*HK$*
Cost of investment in associate *(Note 34)*	**–**	–
Share of post-acquisition loss and other comprehensive expense *(Note)*	**–**	–
	–	–

Details of the Group's associate at the end of the reporting period is as follow:

Name of associate	**Place of incorporation**	**Percentage of equity attributable to the Company**	
		2021	2020
北京景明醫院管理有限公司	PRC	**20%**	20%

The financial year end date for 北京景明醫院管理有限公司 is 31 December. For the purpose of applying the equity method of accounting, the consolidated financial statements of 北京景明醫院管理有限公司 for the year ended 31 March 2021 (2020: Nil) has been used as the Group considers that it is impracticable for 北京景明醫院管理有限公司 to prepare a separate set of financial statements as of 31 March. Appropriate adjustments have been made accordingly for the effects of significant transactions between that date and 31 March 2021.

Note: The cumulative unrecognised share of loss of an associate is HK$40,000.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

22. INVESTMENT PROPERTIES

	2021	2020
	HK$'000	*HK$'000*
Fair value		
Completed investment properties *(Note)*	–	–

Note: As at 31 March 2019, the Group's investment properties located in the PRC with the aggregate carrying amount of HK$17,800,000 are property interests under operating leases, and are classified and accounted as investment properties. During the year ended 31 March 2020, the property reclassified as property, plant and equipment and right-of-use asset due to the tenant becomes a subsidiary.

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

	2021	2020
	HK$'000	*HK$'000*
At 1 April	–	17,800
Fair value loss	–	(1,258)
Transfer to property, plant and equipment	–	(14,086)
Transfer to right-of-use asset	–	(1,526)
Exchange realignment	–	(930)
At 31 March	–	–

The Group's investment properties include hospital building and two residential vaillas (with leasehold land element) located in the PRC. The fair values of the Group's investment properties have been arrived at on the basis of a valuation carried out on the respective dates by 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 2021

22. INVESTMENT PROPERTIES *(Continued)*

For fair value measurements of investment properties as at 31 March 2019, details of valuation techniques and significant inputs are shown below:

	Valuation technique(s) and key inputs	Significant unobservable input(s)	Sensitivity
3 commercial buildings (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 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.

23. LOAN AND INTEREST RECEIVABLES

	2021 *HK$'000*	2020 *HK$'000*
Loan and interest receivables – unsecured	79,946	87,243
Presented as		
– current assets	79,946	87,243
– non-current assets	–	–
	79,946	87,243

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

The Group's loan and interest receivables are recoverable as follows:

	2021	2020
	HK$'000	*HK$'000*
Within one year	79,946	87,243
After 1 year but within 2 years	–	–
After 2 years but within 5 years	–	–
	–	–
	79,946	87,243

The above loan and interest receivables are subject to the fulfilment of covenants specified in the related loan agreements. If the counterparties were to breach the covenants, the loan and interest receivables would become repayable on demand. As at 31 March 2021 and 2020, none of the covenants were breached.

Movement of loan and interest receivables is as follows:

	2021	2020
	HK$'000	*HK$'000*
As at 1 April	87,243	93,451
Additions	4,903	16,062
Repayment	(19,620)	(2,277)
Acquisition of subsidiary	–	(10,339)
Impairment allowance, net	722	(3,417)
Exchange realignment	6,698	(6,237)
As at 31 March	79,946	87,243

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

23. LOAN AND INTEREST RECEIVABLES *(Continued)*

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

	2021		2020	
	Effective interest rate	**Carrying amount**	Effective interest rate	Carrying amount
	%	***HK$'000***	*%*	*HK$'000*
Fixed rate:				
Loan receivables	**7**	**79,946**	7	85,306
Loan receivables	**8**	**–**	8	1,937
		79,946		87,243

24. INVENTORIES

	2021	2020
	HK$'000	*HK$'000*
Finished goods	**5,080**	6,560

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

25. TRADE RECEIVABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade receivables:		
Distribution and service in medical equipment and consumables	**29,430**	12,138
Hospital operation and management services	**25,169**	20,774
Business service	**1,718**	2,926
	56,317	35,838

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

(i) Income from distribution and service in medical equipment and consumables business is with credit terms of 90 days.

(ii) Provision of hospital operation and management services is with credit terms of 0 to 90 days.

(iii) Provision of business service is with credit terms of 30 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:

	2021 *HK$'000*	2020 *HK$'000*
Within 1 month	**7,865**	3,979
1 – 3 months	**10,057**	1,627
Over 3 months	**38,395**	30,232
	56,317	35,838

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

25. TRADE RECEIVABLES *(Continued)*

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

	2021	2020
	HK$'000	*HK$'000*
Within 90 days	3,715	10,260
91 – 180 days	6,330	2,573
Over 180 days	29,265	19,509
	39,310	32,342

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 credit loss:

	2021	2020
	HK$'000	*HK$'000*
Balance at beginning of the year	2,004	3,874
Reversal of allowance, net	(124)	(1,870)
Balance at end of the year	1,880	2,004

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Prepayments	4,165	45
Deposits	457	619
Other receivables	13,902	4,349
	18,524	5,013

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

27. CASH AND BANK BALANCES

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

	2021 HK$'000	2020 HK$'000
RMB	3,266	9,736
HK$	1,276	485
US$	52	24
	4,594	10,245

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.

28. TRADE PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	17,079	14,099

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

	2021 HK$'000	2020 HK$'000
Within 1 month	1,800	1,604
1-3 months	665	1,440
Over 3 months but within 1 year	14,614	11,055
	17,079	14,099

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

29. OTHER PAYABLES AND ACCRUED EXPENSES

	2021 *HK$'000*	2020 *HK$'000*
Other payable *(Note i)*	**64,296**	41,565
Accruals	**22,357**	19,177
Amounts due to de-consolidated subsidiaries *(Note ii)*	**–**	8,685
Deposit received	**–**	636
	86,653	70,063

Notes:

(i) As at 31 March 2021, approximately US$4,000,000 (equivalent to approximately HK$30,894,000) (2020: US$4,000,000 (equivalent to approximately HK$30,894,000)) were a dividend payable on redeemable convertible cumulative preference shares which is in dispute as detailed below.

On 12 September 2016, the Company received a statutory demand (the "Statutory Demand") from Li Hong Holdings Limited ("Li Hong") in respect of repayment of dividend payable on redeemable convertible cumulative preference shares in the sum of US$4.0 million (equivalent to approximately HK$30.9 million) (the "Alleged Outstanding Sum"). Such amount has been included in other payables and accrued expenses in the Company's consolidated balance sheet. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

29. OTHER PAYABLES AND ACCRUED EXPENSES *(Continued)*

Notes: (Continued)

(i) *(Continued)*

A hearing took place on 30 September 2016 at the High Court of Hong Kong (the "Court"), during which Li Hong has undertaken not to file a winding-up petition against the Company based on the Alleged Outstanding Sum and the Company has undertaken (i) to pay the sum of US$4 million or its equivalent into the Court within 21 days from the date of the hearing, which was so paid on 19 October 2016; and (ii) to comply with any order the Court may make if the Court later finds that Li Hong's undertaking has caused loss to Li Hong or any other party and decides that Li Hong or that other party should be compensated for that loss. On 8 February 2017, another Court hearing took place and it was ordered, among other things, that (i) Li Hong be restrained from presenting any petition for the windingup of the Company based on the Alleged Outstanding Sum; and (ii) the sum of US$4 million or its equivalent paid into the Court be released to the Company. Pursuant to the reasons for judgment handed down by the Court dated 29 March 2017, it was concluded that the Company has shown that there is bona fide dispute of the Alleged Outstanding Sum on substantial grounds and the presentation of a winding-up petition by Li Hong would be an abuse of process. The Court further commented that new information filed for the Company lend credence to the Company's case that the loan note dated 1 August 2015 to Li Hong (the "Loan Note") was in fact issued by the Company pursuant to a backdoor arrangement made or participated in by Mr. Li Zhong Yuan ("Mr. Li", a former executive Director and chairman of the Company) for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was a nominee for the purpose of receiving the Loan Note. As stated in the judgment, it follows that it must at least be open to serious argument that the Loan Note is not enforceable by Li Hong against the Company, because the issue of the Loan Note by the Company to Mr. Li's nominee (i.e. Li Hong) would involve a breach of fiduciary duty on Mr. Li's part of which Li Hong had knowledge. It was also mentioned in the judgment that Li Hong clearly does not have a valid cause of action against the Company based on a letter dated 31 July 2015 issued by Capital Foresight Limited ("Capital Foresight") and/or an agreement dated 23 November 2012 between the Company and Capital Foresight (the "Capital Foresight Agreement") being alleged evidence for the Statutory Demand as Li Hong is not a party to either of those documents and neither of those documents give rise to any contract or claim enforceable by Li Hong against the Company. Details of the above have been set out in the announcements of the Company dated 28 September 2016, 3 October 2016 and 30 March 2017 (the "Litigation Announcements").

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

29. OTHER PAYABLES AND ACCRUED EXPENSES *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

Further to the Statutory Demand and upon internal investigation, the Company believes that the US$4 million as set out in the Litigation Announcements belongs to the Company on the following grounds: (1) that the Capital Foresight Agreement executed by Mr. Li was purportedly entered into in breach of Mr. Li's fiduciary duties and without authority, and Capital Foresight was knowingly complicit in this arrangement; (2) the Loan Note issued by the Company (under its former name China Healthcare Holdings Limited), executed by Mr. Li purportedly on behalf of the Company in favour of Li Hong was purportedly entered into in breach of Mr. Li's fiduciary duties, without authority and inconsistent with the Company's articles of association; and (3) the Capital Foresight Agreement and the Loan Note were and are void or voidable and unenforceable. On this basis, on 7 November 2017, a writ of summons under action number HCA2549/2017 has been issued in the Court by the Company against Mr. Li as 1st defendant, Capital Foresight as 2nd defendant and Li Hong as 3rd defendant (together, the "Defendants"). 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, acknowledgements of service and a statement of claim were filed in December 2017.

On 24 November 2017 and in connection with the Statutory Demand, the Company received a writ of summons under action number HCA2569/2017 dated 9 November 2017 claiming for an order directing the Company to forthwith issue in favour of Capital Foresight or its nominee a promissory note of US$4 million pursuant to the Capital Foresight Agreement, or alternatively US$4 million, interest and costs. Pursuant to a Court order dated 19 January 2018, this action number HCA2569/2017 has been consolidated with the action number HCA2549/2017 (the "2549 & 2569 Action").

In connection with the 2549 & 2569 Action and up to the date of this report, the parties have filed their respective pleadings with the Court. The Company will keep the shareholders informed of the latest material developments by making further announcement(s) as and when appropriate.

(ii) 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 2021

30. CONTRACT LIABILITIES

	2021	2020
	HK$'000	*HK$'000*
Distribution and service in medical equipment and consumables	**651**	2,422

Typical payment term which impact on the amount of contract liabilities is as follows:

The Group typically receives in advance before distribution and service in medical equipment and consumables. The Group expects to deliver the goods to satisfy the remaining obligations of these contract liabilities within one year or less.

31. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	2021
	HK$'000
Current	1,084
Non-current	727
	1,811

	Minimum lease payments	**Present value of lease liabilities**
	HK$'000	*HK$'000*
Minimum lease payment due:		
– Within one year	1,133	1,084
– more than one year but not more than two years	849	727
– more than two years but not more than five years	–	–
	1,982	1,811
Future finance charges	(171)	
Present value of lease liabilities	1,811	
Amounts due for settlement within one year (shown under current liabilities)		(1,084)
Amounts due for settlement after one year		727

As at 31 March 2021, the effective interest rates of the Group's lease liabilities ranged from 8% to 10% per annum.

The Group leases office premises and medical equipment for operation and these lease liabilities were measured at the present value of the lease payment that are not yet paid. All leases are entered at fixed prices.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

31. LEASE LIABILITIES *(Continued)*

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The total cash outflows for leases including the payments of lease liabilities for the year ended 31 March 2021 was HK$921,000 (2020: HK$717,000).

32. BANK LOAN

	2021 *HK$'000*	2020 *HK$'000*
Interest bearing bank loans		
Current portion	3,553	–

As at 31 March 2021, the Group has a bank loan, which was denominated in Renminbi, amounting to approximately RMB3 million (equivalent to approximately HK$3.6 million) (2020: nil). The loan carried interest at loan prime rate (LPR) plus 0.25% (ie: 3.8525%) and repayable on 10 September 2021.

33. SHARE CAPITAL

	Notes	No of shares	Share capital *HK$'000*
Authorised:			
Ordinary shares of HK$0.1 each At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021		100,000,000,000	10,000,000
Issued and fully paid:			
At 1 April 2019		4,093,947,634	409,395
Subscription of shares	*(i)*	46,000,000	4,600
At 31 March 2020 and 31 March 2021		**4,139,947,634**	**413,995**

Notes:

(i) On 19 August 2019, an aggregate of 46,000,000 subscription shares were successfully allotted and issued to subscriber. The net proceeds of approximately HK$4,600,000 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 2021

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021	2020
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**–***	–*
Right-of-use asset	**–**	609
	–	609
CURRENT ASSETS		
Inventory	**735**	–
Trade receivables	**71**	–
Prepayments, deposits and other receivables	**927**	97
Amount due from subsidiaries *(Note a)*	**47,830**	90,716
Cash and bank balances	**1,308**	484
	50,871	91,297
CURRENT LIABILITIES		
Other payables and accrued expenses	**60,314**	56,486
Amount due to a director	**192**	–
Lease liabilities	**–**	432
	60,506	56,918
NET (LIABILITIES)/CURRENT ASSETS	**(9,635)**	34,379
TOTAL ASSETS LESS CURRENT LIABILITIES	**(9,635)**	34,988
NON-CURRENT LIABILITIES		
Lease liabilities	**–**	190
NET (LIABILITIES)/ASSETS	**(9,635)**	34,798
EQUITY		
Issued capital *(Note 33)*	**413,995**	413,995
Reserves *(Note b)*	**(423,630)**	(379,197)
Total equity	**(9,635)**	34,798

* Represents amount less than HK$1,000

Approved and authorised for issue by the Board of Directors on 30 June 2021

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

34. 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	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2019	409,395	525,958	57,124	4,000	(1,002,314)	(5,837)
Profit for the year	–	–	–	–	26,109	26,109
Subscription of Shares	4,600	–	–	–	–	4,600
Grant of Share option	–	–	–	9,926	–	9,926
Forfeited of share option	–	–	–	(8,532)	8,532	–
At 31 March 2020 and at 1 April 2020	**413,995**	**525,958**	**57,124**	**5,394**	**(967,673)**	**34,798**
Loss for the year	**–**	**–**	**–**	**–**	**(45,329)**	**(45,329)**
Grant of share option	**–**	**–**	**–**	**895**	**–**	**895**
Forfeited of share option	**–**	**–**	**–**	**(205)**	**205**	**–**
At 31 March 2021	**413,995**	**525,958**	**57,124**	**6,084**	**(1,012,796)**	**(9,635)**

35. 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. The purpose of the both share option schemes is to reward the eligible participants of the Group who have contributed or are expected to contribute the Group and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The New Scheme shall be valid and effective for a period of ten years ending on 28 August 2022.

The total number of securities available for issue under the share option scheme(s) of the Company as at 31 March 2021 was 534,794,763 shares (including share options for 265,900,000 shares that have been granted but not yet lapsed or exercised) which represented 12.92% of the ordinary shares of the company in issue at 31 March 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

35. SHARE OPTIONS SCHEME *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

35. SHARE OPTIONS SCHEME *(Continued)*

Details of the specific categories of options are as follows:

	Option B	**Option A**
Grant date	26 April 2019	19 May 2017
Vesting period *(Note a)*	(T1) 26 April 2019 to 27 April 2020 (T2) 26 April 2019 to 27 April 2021 (T3) 26 April 2019 to 27 April 2022	19 May 2017
Exercise period	(T1) 27 April 2020 to 26 April 2030 (T2) 27 April 2021 to 26 April 2031 (T3) 27 April 2022 to 26 April 2032	19 May 2017 to 18 May 2022
Exercise price at date of grant	HK$0.18	HK$0.18
Price of the Company's shares at the date of grant *(Note b)*	HK$0.0792	HK$0.1706

Notes:

(a) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(b) The price of the Company's shares disclosed as at the date of the grant of the share options is the higher of the closing price of the shares of the Company on the date of grant of the share options and the average Stock Exchange closing price for the five business days immediately preceding the date of the grant of the share options.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

35. SHARE OPTIONS SCHEME *(Continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2021 and 31 March 2020:

	Director		Employee/Eligible person	
	Weighted average exercise price *(HK$)*	Number of share option	Weighted average exercise price *(HK$)*	Number of share option
At 1 April 2019	–	–	0.18	50,000,000
Granted during the year	0.18	70,000,000	0.18	251,994,763
Cancelled during the year	–	–	0.18	(218,994,763)
Reclassified during the year	0.18	(4,000,000)	0.18	4,000,000
Lapsed/forfeited during the year	0.18	(3,000,000)	0.18	(16,100,000)
At 31 March 2020 and 1 April 2020	0.18	63,000,000	0.18	70,900,000
Granted during the year	0.18	61,000,000	0.18	79,500,000
Lapsed/forfeited during the year	0.18	(3,000,000)	0.18	(5,500,000)
At 31 March 2021	0.18	121,000,000	0.18	144,900,000

The fair value of equity-settled share options granted during the year ended 31 March 2020 was estimated as at the date of grant, using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	T1	T2	T3
Dividend yield (%)	0.00	0.00	0.00
Expected volatility (%)	68	68	68
Risk-free interest rate (%)	1.67	1.67	1.67
Expected life of option for director (years)	3.3	3.3	3.3
Expected life of option for employee (years)	2.9	2.9	2.9
Closing share price at grate date (HK$)	0.071	0.071	0.071

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

35. SHARE OPTIONS SCHEME *(Continued)*

The expected life of the options is based on management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The fair value of equity-settled share options granted during the year was approximately HK$895,000 (2019: 9,926,000) of which the Group recognised a share option expense of approximately HK$895,000 (2019: 9,926,000) during the year ended 31 March 2020.

36. CAPITAL COMMITMENT

	2021 ***HK$'000***	2020 *HK$'000*
Capital expenditure in respect of the establish of investment in associate contracted for but not provided in the consolidated financial statements	–	2,189

37. RELATED PARTY TRANSACTIONS

(a) 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 15 and 35 to the consolidated financial statements.

(b) The loan due to a director is unsecured, interest-free and repayable on demand or due within 1 year.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

a) On 17 March 2021, Pioneer Kingdom Limited (a wholly-owned subsidiary of the Company), the Company, Alpha Success International Limited (the "Vendor") and Mr. Ho Pei Lin (as guarantor) entered into the sale and purchase agreement in relation to acquisition of 75% of the total equity interest in Bloom King Corporation Limited ("Bloom King"), which owns 49% equity interests of 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"), and 75% of the total outstanding amounts owing by Bloom King to the Vendor at date of completion of the acquisition for an aggregate consideration of HK$14.6 million. The consideration shall be settled in cash of HK$6 million and the issue of the loan note of HK$8.6 million. The acquisition has been completed on 21 May 2021 and the Company indirectly owns a 75% equity interest in Bloom King. The effective equity interest held by the Group in Mageruizi Wuhan has been increased from 51% to 87.75% accordingly. Further details of the above were set out in the announcements of the Company dated 17 March 2021, 14 May 2021 and 21 May 2021.

b) On 30 April 2021, the Company, two wholly-owned subsidiaries of the Company, Shuangluan Hospital and the Shuangluan Government entered into an agreement (the "Settlement Agreement") to deal with matters concerning (i) the settlement of the sum (the "Sum") in aggregate of approximately RMB87.7 million (equivalent to approximately HK$105.3 million) representing principal and interest on loan advances (the "Advances") to Shuangluan Hospital and unpaid management fees (the "Fees") calculated up to 31 December 2020; and (ii) the management right over Shuangluan Hospital. Further details of the above were set out in the announcements of the Company dated 30 April 2021.

39. COMPARATIVE FIGURES

The Group has initially applied HKFRS16 at 1 April 2020 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 5.

40. 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 30 June 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

41. 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		Principal activities
				Direct	Indirect	
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	HK$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) *(Note b)*	PRC	Registered capital	RMB1,000,000	–	100%	Distribution and service in 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) *(Note a)*	PRC	Registered capital	US$30,000,000	–	100%	Business service
北京中衛康融醫院管理有限公司 (Beijing Zhongwei Kangrong Hospital Management Co., Ltd) *(Note b)*	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 Mageruizi (Wuhan) Medical Technology Development Co., Ltd *(Note b)*	PRC	Registered capital	RMB5,000,000	–	51%	Distribution and service in medical equipment and consumables
安平康融醫院有限公司 Anping Kangrong Hospital Co., Ltd *(Note b)*	PRC	Registered capital	RMB500,000	–	100%	Hospital operation

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

41. 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:

	Mageruizi (Wuhan) Medical Technology Development Co., Ltd	
	2021	2020
	HK$'000	*HK$'000*
As at 31 March		
Non-current assets	**1,030**	229
Current assets	**39,071**	20,033
Non-current liabilities	**–**	–
Current liabilities	**(29,596)**	(12,861)
Net assets	**10,505**	7,401
Carrying amount of NCI	**4,947**	3,762
Year ended 31 March		
Revenue	**68,579**	29,654
Expenses	**(66,160)**	(27,809)
Profit for the year	**2,419**	1,845
Profit attributable to NCI	**1,185**	904
Net cash flow (used in)/generated from		
Operating activities	**(3,093)**	(1,090)
Investing activities	**(896)**	(255)
Financing activities	**3,483**	1,095

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 March 2021

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

Note:

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

(b) Company with limited liability 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				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**87,889**	45,160	32,183	24,247	14,989
Loss before tax	**(5,331)**	(34,340)	(19,925)	(36,716)	(69,080)
Income tax expense	**(1,228)**	(1,435)	(3,088)	(2,530)	(197)
Loss for the year	**(6,559)**	(35,775)	(23,013)	(39,246)	(69,277)
Attributable to:					
Owners of the Company	**(7,744)**	(36,679)	(23,081)	(39,246)	(69,277)
Non-controlling interests	**1,185**	904	68	–	–
	(6,559)	(35,775)	23,013	(39,246)	(69,277)

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**217,818**	196,831	215,241	225,281	170,132
Total liabilities	**(117,832)**	(96,097)	(83,196)	(64,221)	(60,130)
Net assets	**99,986**	100,734	132,045	161,060	110,002