China Health Group Limited
中國衞生集團有限公司

(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)

CONTENTS

Corporate Information

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Mr. Zhang Fan
Mr. Chung Ho

NON-EXECUTIVE DIRECTORS

Mr. Xing Yong
Mr. Huang Lianhai
Mr. Wang Jingming

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Mr. Jiang Xuejun
Mr. Du Yanhua
Mr. Lai Liangquan

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COMPANY WEBSITE

http://www.ch-groups.com

STOCK CODE

673

Chairman's Statement

Dear Shareholders,

In the past year, under the leadership of the board of directors and the joint efforts of all employees, the Company had successfully accomplished various tasks assigned by the board of directors. The Company continued to achieve a significant increase in the revenue from its major businesses, and expand its medical equipment and consumables distribution business, and embarked on a healthy development track for its hospital management business. Also, the Company continued to pay attention to the development trend of the big health field, and seek for and acquire potential high-quality targets in line with its development strategy as and when appropriate, while doubling efforts to strengthen and expand the Company's core business.

In the forthcoming year, due to the prolonged and rampant COVID-19 pandemic which has profoundly affected public life, increasingly escalating geopolitical conflicts, and rising recession risks faced by the global economy, the Company is confronted with greater operating difficulties and pressures. However, the board of directors firmly believes that with the trust and support of the Company's shareholders, the listed company will unswervingly move forward in accordance with the established development strategy, and further expand and strengthen itself through the acquisition of high-quality assets, so as to return shareholders with outstanding performance and contribute to the society.

Zhang Fan
Chairman

30 June 2022

Management Discussion and Analysis

RESULTS REVIEW

For the year ended 31 March 2022, the Group reported a revenue of approximately HK$107 million, representing an increase of 22% as compared to HK$87.9 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK$88.9 million (2021: HK$68.8 million); (b) income from hospital operation and management of approximately HK$18 million (2021: HK$18.4 million); and (c) service fee income from business factoring of approximately HK$0.1 million (2021: HK$0.7 million). For the year ended 31 March 2022, the Group reported gross profit of approximately HK$28.7 million, representing an increase of 10% as compared to HK$26 million for the previous financial year.

For the year ended 31 March 2022, there was impairment loss on loan and interest receivables of approximately HK$2.4 million (2020: reversal of HK$0.7 million). An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses ("ECL") pursuant to HKFRS 9 Financial Instruments. The probabilities of default are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 March 2022, the probability of default applied was 7.29% and the loss given default rate was estimated to be 61.7%.

The Group's loss attributable to shareholders for the year was approximately HK$12.2 million as compared to a net loss of approximately HK$7.7 million for the previous financial year. The increase in net loss was mainly attributable to decrease in loan interest income during the year. Basic loss per share for the year was HK$0.29 cents (2021: HK$0.19 cents).

REVIEW OF BUSINESS OPERATION

For the year ended 31 March 2022, 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$88.9 million (2021: HK$68.8 million), representing an increase of 29% as compared with the previous period. The operating profit was approximately HK$8.5 million (2021: HK$2.6 million) during the year.

Management Discussion and Analysis

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, took advantage of the opportunity brought by the recovery of medical market after the epidemic. It achieved a steady increase in sales after effort by the team during 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 and radiate to central China. In view of the development of distribution business and the market growth potential, In May 2021, the Group further increased its shareholding in Mageruizi Wuhan, and its equity interest increased from 51% to 87.75%.

The Group has also been identifying opportunities to expand the business. In October 2021, the Group completed acquisition of 60% equity interest in 北京佑康健業醫療器械有限公司 (Beijing Youkang Jianye Medical Equipment Co., Ltd.) ("Beijing Youkang"), which is principally engaged in medical equipment and consumables distribution business in the Beijing and its surrounding areas, where the medical services is one of the highest regions with potential in the PRC, and focuses on two high-end categories, namely surgical instruments in cardiac electrophysiology and urology. Beijing Youkang has established business relationship with over 20 top-tier hospitals and medical institutions in Beijing and is also an authorised distributor of certain well-known international brands of cardiac electrophysiology and urology products, namely Johnson & Johnson, Abbott, Medtronic, Synaptic Medical and Boston Scientific. In 2021, Beijing Youkang further developed the business of distribution of new products in the area of cardiac intensive care and vascular surgery, which became the new business growth point.

In particular, Beijing Youkang entered the pet vaccine distribution market in the PRC. In March 2022, Beijing Youkang entered into the "Olmotevirumab Injection (Xunke) Promotion Service Agreement" with 華北製藥集團新藥研究開發有限責任公司 (North China Pharmaceutical Group New Drug R&D Co., Ltd.), pursuant to which Beijing Youkang has been granted the exclusive promotion service license for "Olmitevirumab Injection" in Beijing for a period commencing on the date of the agreement to 31 December 2023. These services include collection of market information, performing market analysis, conducting marketing visits and sales pitches to potential purchasers of vaccines comprising 19 target hospitals/clinics authorised in Beijing, and organising symposium and seminars and other marketing and promotional activities. The fee from the provision of services received by Beijing Youkang is determined based on, among other things, the frequency of marketing and promotional activities conducted and the volume of vaccines purchased by the target hospitals/clinics. The Group expects that the pet vaccine market has huge room for development.

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") entered on 23 July 2015. The Group was entitled to a management fee equivalent to 3% of the revenue of Shuangluan Hospital pursuant to the Management Agreement. The Group ceased to receive management fee and recorded no management fee during the year (2021: HK$3.1 million) upon the signing of the Settlement Agreement (as defined below).

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 annual report, approximately RMB38.7 million (approximately HK$47.8 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

The Group completed acquisition of 70% equity interests of 安平博愛醫院 ("Anping Bo'ai Hospital") in October 2019 and remaining 30% equity interests of Anping Bo'ai Hospital in March 2020. 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$18 million (2021: HK$15.4 million) and operating loss of approximately HK$2.5 million (2021: HK$2.3 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 PROSPECTS

The past year witnessed the ongoing global spread of the COVID-19 pandemic and profound changes in both of the international and domestic situations. Despite the above, the fundamentals of China's social and economic development maintained improvement, in particular for the huge medical and healthcare industry. As the urbanization expands and the population ages, it has maintained a diversified and sustained growth in recent years, with huge development potential. This has created favorable conditions for the Group to expand its business areas.

Management Discussion and Analysis

The Group's businesses have inevitably been adversely affected by the COVID-19 pandemic. The Group's overall operations achieved steady growth for the last year, by overcoming various difficulties with the joint efforts of all its employees. For the medical equipment distribution and service business, efforts have been made to further integrate customer resources and broaden product offerings, so as to gradually build a comprehensive platform for the distribution of medical equipment and consumables. During the year, one of the subsidiaries of the Group was authorised to participate in the marketing and promotion of rabies vaccines in Beijing. It is expected that the Group will be in a better position to acquire distribution contracts for other vaccine products such as tetanus vaccine, shingles vaccine and HPV vaccine in the future. In the future, the Group will continue to invest more resources to consolidate and develop the existing businesses as mentioned above.

Hospital operation and management remains an important business of the Group. In the future, the Group will seek opportunities and focus on the development of featured specialities 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.

During the year, the Group participated in the investment in 湖南博創科健產業投資基金（有限合夥）Hunan Bochuang Technology and Health Industry Investment Fund (Limited Partnership) (the "Bochuang Fund"), a sub-fund of the national science and technology achievement transformation guidance fund approved by the Ministry of Science and Technology of the PRC （中華人民共和國科學技術部）. It has established a close partnership with Bochuang Fund. 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. It will focus on cooperation and connection with Bochuang Fund, and select several key fields of medical devices for industrial chain integration, so that gradually building itself into a professional device supplier with research and development, manufacturing and sales capabilities. The board of directors believe that adhering to this strategy, the Group will achieve leapfrog development in the near future and create maximum value for shareholders.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

(i) Additional acquisition of Mageruizi Wuhan

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.

(ii) Investment in the Bochuang Fund

On 5 July 2021, Zhongwei Health Industries (Shenzhen) Company Limited (a wholly-owned subsidiary of the Company, "Zhongwei Health") and 寧波易達誠資產管理有限公司 (Ningbo Yidacheng Asset Management Co., Ltd., "Ningbo Yidacheng") entered into the agreement, pursuant to which Ningbo Yidacheng agreed to transfer the partnership interest in 北京啟慧智元信息科技合伙企業（有限合伙） (Beijing Qihui Zhiyuan Information Technology Enterprise Partnership (Limited Partnership), "Beijing Qihui") to Zhongwei Health for a cash consideration of RMB1 payable by Zhongwei Health. In consideration of the Vendor transferring the partnership interest to Zhongwei Health, Zhongwei Health shall take up the obligation of Ningbo Yidacheng to contribute registered capital in the amount of RMB30 million to Beijing Qihui.

Beijing Qihui holds a 15% partnership interest (as limited partner) in the Bochuang Fund. The Bochuang Fund is a limited partnership established in the PRC on 10 July 2020 under the approval of the Ministry of Science and Technology of the PRC. The Bochuang Fund has invested in several projects engaging in medical equipment business, research and development and sale of implantable drugs for cancer treatment and development and operation of digital healthcare services platform.

Upon capital contribution of RMB30 million by Zhongwei Health to Beijing Qihui, Zhongwei Health will be interested in 16.6% partnership interest in Beijing Qihui. Zhongwei Health's percentage interest in the Beijing Qihui's profit or loss shall be diluted to 4.44% if Ningbo Yidacheng pays up in full its share of outstanding registered capital of Beijing Qihui (or any other partners make additional capital contribution to Beijing Qihui).

Management Discussion and Analysis

As at date of this annual report, capital of RMB15 million (approximately HK$18.5 million) has been paid by Zhongwei Health. Further details of the above has been disclosed in the announcements dated 5 July 2021 and 26 July 2021. both parties agreed that the remaining capital of RMB15 million (approximately HK$18.5) million) will be paid by Zhongwei Health on or before 31 December 2022.

(iii) Acquisition of Beijing Youkang

On 31 August 2021, the Company, Zhongwei International Finance Lease (Shenzhen) Co., Ltd. (a wholly-owned subsidiary of the Company, "Zhongwei International"), Mr. Yang Huijun ("Mr. Yang"), Mr. Sun Chunlei ("Mr. Sun"), Best Robust Ventures Limited (a company wholly-owned by Mr. Yang and Mr. Sun, "Best Robust") and Beijing Youkang entered into an agreement (as supplemented on 8 October 2021) (the "Agreement") for capital injection to Beijing Youkang in the amount of RMB1,800,000 (equivalent to approximately HK$2,160,000) by Zhongwei International and RMB1,200,000 (equivalent to approximately HK$1,440,000) by Mr. Yang and Mr. Sun (collectively "the Existing Owners"). The Company shall also pay the consideration to Best Robust which shall be satisfied by the Company's allotting and issuing 250,000,000 shares of the Company to Best Robust at the issue price of HK$0.10 each. Following completion of the above capital injection, Zhongwei International and the Existing Owners will be interested in 60% and 40% of the equity interest in Beijing Youkang respectively.

Pursuant to the Agreement, the Existing Owners guarantee and undertake to Zhongwei International that:

(i) the audited net profit after tax of Beijing Youkang for the year ending 31 March 2022 ("FY2022") shall be not less than RMB3,000,000 (equivalent to approximately HK$3,600,000) (the "2022 Guaranteed Profit");

(ii) the audited net profit after tax of Beijing Youkang for the year ending 31 March 2023 ("FY2023") shall be not less than RMB6,000,000 (equivalent to approximately HK$7,200,000) (the "2023 Guaranteed Profit", together with the 2022 Guaranteed Profit, the "Profit Guarantee");

(iii) the net assets of Beijing Youkang as at the completion date of acquisition (the "Completion NAV") shall not be lower than that as at 31 July 2021 (the "31/7 NAV") as shown in the management accounts of Beijing Youkang for the seven months ended 31 July 2021; and

(iv) on or before 30 September 2022, Beijing Youkang shall be able to collect: (a) all the trade receivables relating to the sales of medical devices/equipment as at the Completion Date (the "Trade Receivables"), other than those retention monies which normally represent 10% of the sales value and shall be collected according to the terms of the sale contracts with customers; and (b) the entire amount of receivables other than the Trade Receivables as at the Completion Date (together with (a) above, the "Account Receivables").

Management Discussion and Analysis

In the event that any of the above guarantees and undertakings (including the Profit Guarantee) is not met, the Existing Owners shall jointly and severally compensate Zhongwei International the amount in cash on a dollar-for-dollar basis (the "Compensation").

Best Robust will deposit 250,000,000 shares with the Company for securing the Existing Owners' obligations to pay the Compensation to Zhongwei International. If the 2022 Guaranteed Profit is fulfilled, the Company will release 178,000,000 shares (the "1st batch Consideration Shares") to Best Robust. If there is any shortfall, the Company will withhold such number of shares from the 1st batch Consideration Shares which represents the value (based on HK$0.10 per share) equivalent to the amount of the Shortage. If both the 2022 Guaranteed Profit and the 2023 Guaranteed Profit are met, the Company will release the remaining 72,000,000 shares (the "2nd batch Consideration Shares") to Best Robust. If the Existing Owners do not pay the Compensation in cash to Zhongwei International for the shortfall in 2022 and/or 2023, the Company may at its option dispose of the 1st batch Consideration Shares and the 2nd batch Consideration Shares.

The acquisition has been completed on 22 October 2021 and the Company indirectly owns 60% equity interest in Beijing Youkang. Further details of the above were set out in the announcements of the Company dated 31 August 2021, 8 October 2021 and 22 October 2021.

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 2022 (2021: nil).

FUND RAISING ACTIVITY

There was no other fund raising activity during the year. There was no unutilised proceed brought forward from any issue of equity securities made in previous years.

On 9 June 2022, the Company entered into the placing agreement with the placing agent for placing of the convertible bonds in the aggregate principal amount of up to HK$82,000,000 at the initial conversion price of HK$0.10 per conversion share on a best effort basis to not less than six independent investors. The convertible bonds shall bear an interest at the rate of 6% per annum and expire on the second anniversary of the date of issue of the convertible bonds. The placing of convertible bonds has not been completed as at the date of this annual report and the long stop date of the placing has been extended to 14 July 2022. Further details of the placing were disclosed in the announcements of the Company dated 9 June 2022, 16 June 2022 and 30 June 2022.

Management Discussion and Analysis

On 10 June 2022, the Company proposed to conduct a consolidation (the "Share Consolidation") of the existing ordinary shares in the capital of the Company of par value of HK$0.10 each. Subject to the Share Consolidation being effective, the Company also proposed to change the board lot size for trading of the shares from 3,000 to 6,000. The Share Consolidation and change of the board lot size are not yet completed as at date of this annual report. Details of the above were disclosed in the announcements of the Company dated 10 June 2022 and 16 June 2022. Further announcement(s) in relation to the Share Consolidation and change of the board lot size will be made as and when appropriate.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow during the Period. As at 31 March 2022, the Group's cash and cash equivalents amounted to approximately HK$8.5 million (2021: HK$4.6 million).

As at 31 March 2022, the current assets and net current assets of the Group are approximately HK$137.7 million (2021: HK$164.5 million) and HK$0.8 million (2021: HK$47.4 million) respectively, representing a current ratio of 1.0 (2021: 1.4).

As at 31 March 2022, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4 million (2021: US$4 million) (equivalent to approximately HK$30.9 million), which is in dispute as disclosed in note 27 of these financial statements, was included in other payables and accrued expenses. As at 31 March 2022, the Group has certain bank loans, which were denominated in Renminbi, amounting to RMB6.5 million (2021: RMB3 million) (approximately HK$8.1 million) (2021: HK$3.6 million). The loans carried interest ranging from loan prime rate (LPR) plus 0.1% to 0.25% and repayable within one year. As at 31 March 2022, the Group had an other borrowing of HK$9.5 million (2021: nil), which was denominated in Hong Kong dollars, interest bearing at 6% per annum and repayable on 30 September 2022.

As at 31 March 2022, the gearing ratio was 0.61 (2021: 0.33), calculated by dividing dividend payable on redeemable convertible cumulative preference shares and bank and other borrowings (representing debts owed by the Company) by shareholders' equity of approximately HK$79.6 million (2021: HK$95.0 million).

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

MATERIAL LITIGATIONS

Details of material litigations were disclosed in note 27 of these financial statements.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 March 2022, there were no material contingent liabilities of the Group (2021: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2022, there were no charge on the Group's assets (2021: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed 122 employees (2021: 116). The total staff cost including Directors' emoluments and share based payment of approximately HK$0.8 million (2021: HK$0.9 million) was approximately HK$12 million as compared to approximately HK$18.4 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. No share options were granted and 22,500,000 share options were lapsed during the year. There were 243,400,000 outstanding share options as at 31 March 2022.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhang Fan, aged 57, 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 59, 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.

NON-EXECUTIVE DIRECTORS

Mr. Wang Jingming, aged 65, 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. He was the editor-in-chief of "Hospital Management New Model" and "Health 4.0 Smart Hospital Management Model".

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, a standing member of the Military Hospital Economic Management Committee of Chinese Hospital Association and an expert on special allowance of the military. He was awarded 2 honorary third awards.

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.

In January 2021, he served as the president of Cheng Du Qing Cheng Mt. Hospital, where he had actively promoted the construction of the Healthcare 4.0 hospital and the promotion of the Jingming model. Since its opening in May 2021, the organisational structure, job responsibilities, workflow, cost accounting and performance management mechanisms of the hospital have been generally completed. The hospital is on the fast track of development.

Biographical Details of Directors and Senior Management

He was appointed as the executive director of the Company on 15 May 2014 and has been re-designated from the executive director to non-executive director of the Company on 18 October 2021.

Mr. Xing Yong, aged 57, 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 41, 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 54, obtained a master's degree and doctoral degree in Cardiology from Tongji Hospital affiliated to Tongji Medical College of Huazhong University of Science & Technology 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 56, 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 46, graduated from Xi'an Jiaotong University with a bachelor's degree in accounting in 2001. Mr. Lai is a PRC Certified Public Accountant and PRC Certified Tax Agent. Mr. Lai is currently the chief accountant 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 18 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.

SENIOR MANAGEMENT

Mr. Tsui Siu Hung Raymond, aged 45, 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, Ocean One Holding Limited (Stock Code: 8476) since May 2017 and China Infrastructure Investment Limited (Stock Code: 600) since December 2021 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 2022.

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 and business factoring during the year. 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 13.

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, there was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 March 2022.

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 2022 and the state of affairs at the date are set out in the consolidated financial statements on pages 60 to 145.

The directors do not recommend the payment of any dividend for the year ended 31 March 2022 (2021: 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 32 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 64 and 65.

DISTRIBUTABLE RESERVES

As at 31 March 2022, 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

Non-executive Directors

Mr. Xing Yong
Mr. Huang Lianhai
Mr. Wang Jingming (re-designated from executive Director on 18 October 2021)

Independent non-executive Directors

Mr. Jiang Xuejun
Mr. Du Yanhua
Mr. Lai Liangquan
Ms. Meng Junfeng (resigned on 20 September 2021)

The biographical details of the Directors and senior management of the Group are set out on pages 14 and 17 of this annual report.

Report of the Directors

In accordance with the Company's Bye-law 87, Mr. Chung Ho, Mr. Huang Lianhai and Mr. Lai Liangquan will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Wang Jingming, the non-executive Director, has entered into a service agreement with the Company for two years commencing on 18 October 2021. Other 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 2022, 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)	26.90%
Mr. Chung Ho *(Note 2)*	Beneficial owner	–	30,000,000 (L)	30,000,000 (L)	0.68%
Mr. Wang Jingming *(Note 3)*	Beneficial owner	23,406,000 (L)	3,000,000 (L)	26,406,000 (L)	0.60%
Mr. Xing Yong *(Note 3)*	Beneficial owner	1,398,000 (L)	34,000,000 (L)	35,398,000 (L)	0.81%
Mr. Huang Lianhai *(Note 3)*	Beneficial owner	–	23,000,000 (L)	23,000,000 (L)	0.52%
Mr. Jiang Xuejun *(Note 4)*	Beneficial owner	–	8,000,000 (L)	8,000,000 (L)	0.18%
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%

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. Mr. Chung Ho is an executive Director.

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

4. Each of Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Liangquan 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 2022, 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 2022
Treasure Wagon Limited *(Note 1)*	Beneficial owner	1,160,000,000 (L)	–	1,160,000,000 (L)	26.42%
Best Robust Ventures Limited *(Note 2)*	Beneficial owner	250,000,000 (L)	–	250,000,000 (L)	5.69%
Yang Huijun *(Note 2)*	Through corporate interest	250,000,000 (L)	–	250,000,000 (L)	5.69%
Sun Chunlei *(Note 2)*	Through corporate interest	250,000,000 (L)	–	250,000,000 (L)	5.69%

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. Best Robust Ventures Limited is owned by Yang Huijun as to 50% and Sun Chunlei as to 50%.

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 2022. Details of the Company's share option scheme are set out in note 34 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:

Name or category of participant	At 1 April 2021	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 2022	Exercise period of share options	Exercise price of share options	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options
									HK$		HK$
Directors											
Mr. Zhang Fan	4,000,000	–	–	–	–	–	4,000,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
	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 2021	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 2022	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. 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 2021	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 2022	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	121,000,000	–	–	–	(8,000,000)	–	113,000,000				

Report of the Directors

Name or category of participant	At 1 April 2021	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 2022	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	21,800,000	–	–	–	(1,000,000)	–	20,800,000	19 May 2017 to 18 May 2022	0.18	19 May 2017	0.165
	16,000,000	–	–	–	(9,500,000)	–	6,500,000	27 April 2020 to 25 April 2029	0.18	26 April 2019	0.079
	16,500,000	–	–	–	(4,000,000)	–	12,500,000	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	265,900,000	–	–	–	(22,500,000)	–	243,400,000				

Report of the Directors

Note 1: Share options were granted to 15 business consultants of the Group which comprises of (i) Qiu Peiyuan, Huang Bin and He Lijuan, the former Directors who have become consultants of the Group providing advices on business development of the Group; (ii) a former employee of the Company, namely Ding Jiuru, who has subsequently become a consultant of the Group providing advices on financial operation of the Group; and (iii) consultants and business partners of the Group, namely Pinnacle Tread Limited, Zhong Bin, Liu Yanli, Rao Zhenan, Chan Nam, Hor Heng Siang, Yang Yongbin, Quo Wei, Lu Wenhui, Huang Hui and Wu Guanjie, who have provided business, legal or tax consultancy services or other professional services and introduced investment opportunities to the Group.

During the year, share-based payment expanses amounted to approximately HK$773,000 (2021: HK$895,000) comprising of (i) HK$592,000 in respect of the Directors; (ii) HK$11,000 in respect of the directors of the subsidiaries of the Company; (iii) HK$84,000 in respect of the employees of the Group; and (iv) HK$86,000 in respect of business consultants of the Group was recognised in the income statement.

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 146 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 8.18% and 30.66%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 5.98% and 21.56%, 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.

Report of the Directors

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.

EVENTS AFTER THE REPORTING PERIOD

Detail of the events after the reporting period are set out in note 38 to these financial statements.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held in September 2022. The closure of the register of members of the Company for determining the entitlement to attend and vote at the annual general meeting will be set out in the notice of annual general meeting which will be despatched to shareholders of the Company in due course.

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 2022

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 2022 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 two executive directors, three non-executive directors and three 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 14 and 17 of this annual report.

The Board members have no financial, business, family or other material/relevant relationship among themselves.

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)*	5/5	N/A	N/A	1/1	1/1
Mr. Chung Ho	5/5	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Xing Yong	4/5	N/A	N/A	N/A	1/1
Mr. Huang Lianhai	4/5	N/A	N/A	N/A	1/1
Mr. Wang Jingming (re-designated to non-executive Director on 18 October 2021)	4/5	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Jiang Xuejun	4/5	2/2	1/1	1/1	1/1
Mr. Du Yanhua	5/5	2/2	1/1	1/1	1/1
Mr. Lai Liangquan	5/5	2/2	1/1	1/1	1/1
Ms. Meng Junfeng (resigned on 20 September 2021)	4/4	1/1	N/A	N/A	1/1

Corporate Governance Report

CHAIRMAN AND EXECUTIVE DIRECTORS

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

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

NON-EXECUTIVE DIRECTORS

Under A.4.1 of the Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, except for Mr. Wang Jingming, the non-executive Director who was appointed for two years commencing on 18 October 2021, 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.

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 three independent non-executive directors, namely Mr. Jiang Xuejun as the chairman, Mr. Du Yanhua and Mr. Lai Liangquan.

Corporate Governance Report

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 three independent non-executive directors, namely Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Liangquan.

AUDITOR'S REMUNERATION

The Company's external auditors are Messrs. Elite Partners CPA Limited. For the year ended 31 March 2022, the external auditor's remuneration for audit services was HK$870,000.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 54 to 59 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 2022 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 2022.

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 2021 and the unaudited interim financial statements for the six months ended 30 September 2021, 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 three independent non-executive directors, namely Mr. Lai Liangquan as the chairman, Mr. Jiang Xuejun and Mr. Du Yanhua. 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 2022, 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 2022.

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 2021 to 31 March 2022. 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 2022, 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 and Mr. Lai Liangquan 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 2022 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 2022.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The objective of this Environmental, Social and Governance ("ESG") Report is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

This Report covers the main operating activities that the Group deems significant (i.e. the environmental, social and governance conditions in the principal place of operation). The principal activities of the Group are engaged in the distribution and service in medical equipment and consumables, hospital operation and management services and business service during the year. The major operating units of the Group are as follows:

- Anping Kangrong Hospital Co., Ltd.;
- Beijing Youkang Jianye Medical Equipment Co., Ltd.;
- Beijing Zhongwei Kangrong Hospital Management Co. Ltd.;
- Mageruizi (Wuhan) Medical Technology Development Co., Ltd.; and
- Zhongwei International Finance Lease (Shenzhen) Co., Ltd.

Unless otherwise specified, this Report covers the environmental, social and governance progress and performance of the major operating units mentioned above during the reporting period.

REPORTING STANDARD

The Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 27 of the Main Board Listing Rules of the Hong Kong Stock Exchange Limited ("HKEx"). An assessment of the applicability and materiality of the relevant key performance indicators ("KPIs") under the ESG Reporting Guide was conducted.

Environmental, Social and Governance Report

REPORTING PRINCIPLES

The following principles are adopted in the Report:

- Materiality: Important and relevant information to stakeholders on different ESG aspects is covered in the Report. A materiality assessment was conducted to determine material ESG issues, with results approved by the Board.

- Quantitative: The relevant standards, methodologies and assumptions used to prepare the quantitative information are disclosed as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.

- Consistency: Consistent methodologies are used to prepare and present ESG data in the Report, unless otherwise specified, to allow for meaningful comparisons.

- Balance: The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

GOVERNANCE ON ESG ASPECTS

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management is responsible for coordinating the implementation of the Group's environment, employment and service quality assurance policies.

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

Environmental, Social and Governance Report

CONTACT INFORMATION

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email at info@ch-groups.com.

STATEMENT OF THE BOARD

To manage various ESG aspects effectively and efficiently, the Board assumes the ultimate responsibility and implements comprehensive supervision and is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group.

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, a materiality assessment is conducted each year. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group understands the expectations and concerns of stakeholders. The feedback obtained allows the Group to make more informed decisions and to better assess and manage the resulting impact.

The Group has evaluated the materiality and importance of ESG aspects through the steps:

(1) material ESG area identification by industry benchmarking;

(2) key ESG area prioritisation with stakeholder engagement; and

(3) validation and determining material ESG issues based on results of communication among stakeholders and the management.

Hence, this can enhance our understanding of their degree and change of attention to each significant ESG issue and can enable us to more comprehensively plan our sustainable development work in the future. Those important and material ESG areas identified during our material assessment were discussed in this Report.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback in regards to our businesses and ESG aspects. With the goal of strengthening the sustainability approach and performance of the Group, we put effort into maintaining close communication with our key stakeholders, including but not limited to government and regulatory authorities, shareholders, employees, customers, suppliers, and the general public. We take stakeholders' expectations into consideration in formulating our businesses and ESG strategies by utilising diversified engagement methods and communication channels, shown as below:

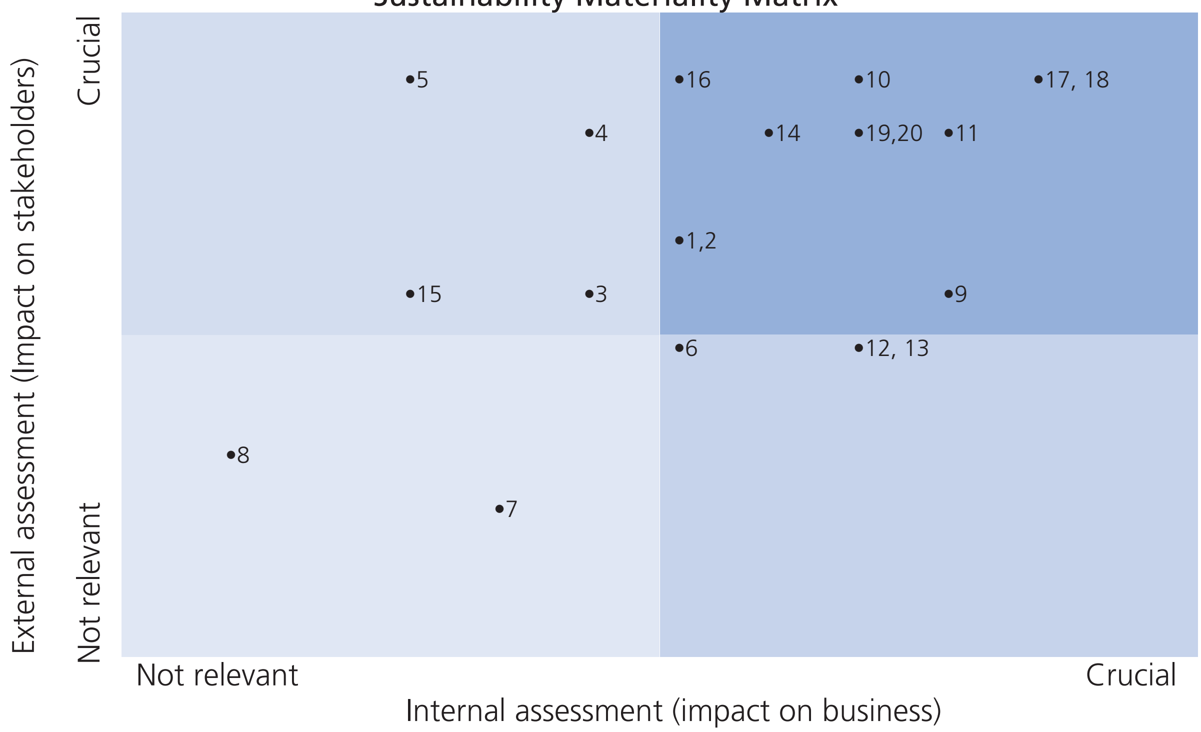
Stakeholders	**Key concerns**	**Communication channels**
Government and regulatory organisations	• Compliance with applicable laws and regulations • Responsive for the government's latest policies and directives on healthcare	• Announcements and other regulatory reports
Shareholders and investors	• Corporate governance • Development direction	• HKEx website and corporate website • Annual and interim report • Regular' meetings
Employees	• Staff retention • Career progression and development	• Performance review • Orientation and training • Internal email
Customer (Healthcare facilities)	• Product and service quality • Business integrity	• Corporate website • Communication meetings
Suppliers	• Stable and uninterrupted supply of quality medical consumables and medical equipment, • Qualifications and licenses • Service support	• Procurement process • Business communications • Engagement and cooperation
Community	• Improving the community's awareness of public health and safety	• Industry events • Corporate social responsibility activities

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

During the reporting period, the Group has evaluated a number of environmental, social and operating items and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction satisfy the stakeholders' expectations and requirements. We prioritised those ESG topics into three categories: high, medium and low, for better strategic planning and resource allocation. The issues which fell in the upper right corner of the matrix were defined as the topics that matter most in the Group's business operation and our stakeholders are concerned about. The Group will continue to review the corresponding policies in order to pursue continuous improvement in its ESG performance.

Sustainability Materiality Matrix



Environmental issues	Social issues	Operation issues
1. Greenhouse gas emissions	8. Community engagement	15. Economic value generated
2. Energy consumption	9. Occupational health and safety	16. Corporate governance
3. Water consumption	10. Labour standards	17. Anti-corruption
4. Waste	11. Training and development	18. Supply chain management
5. Environmental impact	12. Employee welfare	19. Customer satisfaction
6. Air emissions	13. Equal opportunities	20. Customer privacy
7. Use of chemicals	14. Talent attraction and retention	

Environmental, Social and Governance Report

ENVIRONMENTAL

Emissions

Due to the nature of our business, our operations did not generate any significant industrial exhaust gases or discharges into water and land. The Group only generated a small number of air pollutants and waste, mainly including direct emissions from the use of motor vehicles and indirect emissions of greenhouse gas ("GHG") from electricity consumption (e.g. carbon dioxide emissions).

Air Emissions

The Group takes the initiative to examine the issue of air emission across its operation. Due to its business nature, the Group was not involved in any combustion processes or industrial activities that led to direct air pollutant emissions 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 public transport or car-pooling to reduce the emissions of air pollutants.

GHG emissions

Electricity consumption was the major source of pollutant emissions. The management considers that the environmental impact of emissions from operations is low and has no significant impact on the assessment and decision-making of the Group and/or equity holders.

The major source of greenhouse gas emissions of the Group was the use of electricity in the offices of the Group, which was used for empowering the offices equipment. The emissions of GHG of the Group can be broadly classified into fuel combustion (Scope 1) and energy indirect emissions (Scope 2).

Type	**Unit**	**2022**	2021
Air emissions			
Nitrogen Oxides	kg	**20.5**	19.8
Particular matters	kg	**0.6**	0.6
Sulphur Oxides	kg	**0.2**	0.4
GHG emissions			
Scope 1	Tonne	**35**	69
Scope 2	Tonne	**249**	352
Total GHG emission	Tonne	**284**	421
GHG emission intensity	Tonne/millions of revenues	**2.7**	3.6

Sewage treatment

Water consumed at hospitals is discharged to the designated water treatment facilities. The Group places high importance on fluid waste management as it limits our employees' exposure to infectious fluid waste. Fluid waste is contained in the suction canister or other designated containers before being discarded in proper locations.

Wastes management

The wastes generated from the business operation are mainly medical wastes and general wastes. Medical wastes are delivered to the qualified medical wastes collection, transportation, and disposal unit for unified incineration treatment, and general wastes are collected and delivered to the local environmental hygiene department for further handling.

Environmental, Social and Governance Report

Environmental Targets Setting

FY 2022	Reviewed the Group's past environmental performance
FY 2023	Explore improvement methods and resources available
	Develop measures and set targets
FY 2024 Onwards	Evaluate and monitor performance against baseline and targets regularly

Compliance with laws and regulations

During the Reporting Period, the Group endeavoured to fully comply with the relevant laws and regulations of the PRC in relation to emissions of exhaust gases and greenhouse gases, discharges into water and land, and generation of hazardous and non-hazardous wastes, including but not limited to:

- the Environmental Protection Law of the People's Republic of China
- Water Pollution Prevention and Control Law of the People's Republic of China
- Regulations on the Administration of Medical Waste
- Measures for Medical Wastes Management of Medical and Health Institutions
- Urban Drainage and Sewage Treatment Ordinance
- Implementation Measures of the Management of Medical Waste and
- the Medical Waste Management Regulations

Use of Resources

Energy consumption

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

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 resource consumption and the impact on the environment. For instance, offices are equipped with teleconferences, 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 were not in use; and
- To select the best configuration for the air-conditioning control programme for medical rooms, based on in-door requirements and out-door conditions.

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 was fit for purpose. Confronted with the crisis of the scarcity of global water resources, the Group has formulated the Management System for Water Supply, and sewage is divided into domestic sewage and wastewater in the hospital and the sewage can only be discharged when it meets the Standard for Sewage Discharge by Medical Institutions.

Packaging materials

The operational process of the Group, which is mainly engaged in distribution and service in medical equipment and consumables, provision of hospital operations and management service, business factoring and property investments, does not involve consumption of packaging materials or packaging material-related businesses. Therefore, no packaging materials were consumed during the reporting period.

Resources consumed	**Unit**	**2022**	2021
Energy			
Electricity	kWh	**407,894**	364,974
Fuel	kWh	**151,011**	298,600
Energy consumption intensity	kWh/millions of revenue	**5,222**	7,550
Water	Tonne	**3,160**	1,753
Water consumption intensity	Tonne/millions of revenue	**30**	20

The Environmental and Natural Resources

The Group is committed to providing high-quality services to customers while maintaining the adverse impact it 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. The Group's China site uses motion-sensor lighting to maintain minimal electricity consumption.

Climate Change

The Group identifies and assesses the impact of climate change in the context of our actual operations. As a distributor of medical equipment and consumables and the management of the hospital operation, increased national requirements for environment-related regulations, stable supply chains and logistics for aesthetic drugs, environmentally friendly concepts for aesthetic techniques and equipment, and unpredictable or extreme weather events due to climate change may bring about changes the needs of medical equipment and consumables.

SOCIAL

Employment

The success of the Group depends critically on its ability to attract, develop and retain its staff. The Group adheres to fair and open recruitment practices and provides its staff with adequate protection of rights.

Environmental, Social and Governance Report

Recruitment, promotion and compensation

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

Equal opportunities, diversity and anti-discrimination

The Group also promotes equal opportunity. Remuneration schemes and job appraisals 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 has not been noticed.

As an 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 of 31 March 2022, the Group has 122 (2021: 116) full-time staff in PRC. The details are as follows:

	Staff distribution	**Staff turnover rate**
Gender		
Male	40	16%
Female	82	11%
Ranking		
Senior management	8	11%
Manager and supervisor	9	45%
General staff	105	9%
Age		
18-29	41	13%
30-39	41	17%
40-49	11	22%
50-59	15	–
60 or above	15	–

Environmental, Social and Governance Report

Compliance with relevant laws and regulations

The Group strictly abides by the relevant laws and regulations in the PRC, including but not limited to:

- Labour Contract Law
- Labour Law
- Social Insurance Law

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 that focus on keeping a safe and healthy workplace, including the following requirements:

- Relevant training and knowledge should be provided to employees with respect to risks associated with goods handling in medical facilities.
- The warning wording has been posted in the obvious area of the medical institutions to emphasise the health and safety practice.

Occupational health and safety statistics	**2022**	2021	2020
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

Compliance with laws and regulations

The Group strictly abides by the relevant laws and regulations in the PRC, including but not limited to:

- Law of the People's Republic of China on the Prevention and Control of Occupational Diseases
- Law of the People's Republic of China on Work Safety
- Production Safety Law of the People's Republic of China

Environmental, Social and Governance Report

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. An induction program is offered to new joiners to learn 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 the organisation's participation.

The Group has established an award system for experienced and eligible staff to provide training 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 leaves allowance for every worker.

The training details of the staff during the reporting period are stated as follows:

	No. of staff attended training	Percentage of staff who attended training	Average training hours completed
By Gender			
Male	7	17.5%	15
Female	38	46.3%	38
Categories			
Senior management	4	50%	4
Manager and supervisor	2	22%	4
General staff	41	39%	38

Labour Standards

The Group is committed to protecting fundamental human rights. In particular, child and forced labour are abandoned in our operations and value chain. The recruitment process of the Group is firmly based on the recruitment policy and guidelines designed by the Human Resource Department. The department managed its 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 processes to build a sustainable workforce.

Environmental, Social and Governance Report

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.

Compliance with laws and regulations

The Group adhered to the laws and regulations prohibiting child labour and forced labour, which mainly includes the following:

- Labour Law of the People's Republic of China;
- Labour Contract Law of the People's Republic of China;
- Law on Protection of Minors of the People's Republic of China; and
- Provisions on the Prohibition of Using Child Labour of the People's Republic of China.

Supply Chain Management

The suppliers primarily consist of agents and distributors of pharmaceuticals, medical consumables and medical equipment. Suppliers are cautiously selected for quality, reputation, price, product and service offerings and delivery capability. The Group routinely assesses its suppliers' performance, and creditworthiness, re-confirm their qualifications (such as GMP and/or GSP Certificates, where appropriate) and ensures the compliance status and quality of the supplies. The Group undertakes reasonable due diligence of its suppliers' qualifications, including:

The Group maintains long-term relationship with its suppliers to ensure the 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 in supply chain management.

Environmental, Social and Governance Report

The Group undertakes reasonable due diligence of its suppliers' qualifications, including:

- suppliers are required to provide all relevant qualification documents and licenses for inspection;
- the procurement department is responsible for verifying the genuineness, validity and scope of the qualification documents and licenses;
- the qualification documents and licenses will be provided to the relevant departments, including the warehouse, medical equipment department and pharmacy department, for the relevant staff to take note of the source of the supplies and their qualifications; and
- the suppliers shall promptly produce any updates or changes to the qualification documents and licenses.

During the Reporting Period, a total of 142 medical device suppliers were involved in the Group, all of which were from the PRC.

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 the Product Quality Law of the People's Republic of China.

Customer satisfaction

- *Hospital operation and hospital management service business,*

  The Group regards patient complaint management as an important component for the continuous improvement of clinical safety and quality. The Group treats each patient's complaints seriously and regards them as the best source for improvement. Suggestion boxes are also placed at prominent positions in the hospital to encourage patients and their relatives to provide feedback and share experience. During the reporting period, there were no material medical dispute cases.

- *Distribution and service in the medical equipment business*

  The Group maintains close communication customers and follow up complaints from customers and our tenants. During the reporting period, the Group did not receive any complaints about product quality of the construction materials and service complaints in relation to our property management services. All the complaints would be handled individually. Rectification or preventive measures are taken if applicable after investigation.

  Product recall handling procedure is also in place for handling any unqualified products and to ensure the recall process is effective and efficient. During the reporting period, no products have been recalled due to safety and health reasons.

Environmental, Social and Governance Report

Privacy protection

- *Hospital operation and hospital management service business,*

  The Group has a dedicated medical records management department to handle patients' medical records. The hospitals strictly adhere to applicable laws and regulations in relation to patient privacy, including Guangdong Province Medical Records Writing and Management Specifications and Healthcare Institutions Medical Records Management Rules. The hospitals have stringent protocols for the creation, maintenance, reviewing and copying, sealing or unsealing and preservation of patient medical records. These protocols are also designed to ensure that the records are not accidentally accessed, processed, erased, lost or used without authorisation.

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 for protecting information in all forms, especially confidential health information of patients. In order to protect the personal information of patients and from 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 become aware of any non-compliance with laws and regulations having a significant impact on the Group relating to privacy matters.

Anti-Corruption

The Group is aware that any events of corruption will bring irreparable damage to the Group. Therefore, the Group upholds a high standard of business integrity throughout its operations. A system with good moral integrity and an anti-corruption mechanism is seen to be the cornerstone of the sustainable and healthy development of the Group.

Money laundering

The Group strictly implements a series of policies and procedures to prevent and detect money laundering and terrorist financing. Following measures have been taken to prevent and detect money laundering and terrorist financing:

- carries out know-your-client procedures by verifying customers' identity with reference to a reliable and independent source of documents; and

- reports any suspicious transactions to the relevant government department.

Environmental, Social and Governance Report

Whistleblowing measures

In order to promote integrity and ensure the healthy development of the Group's business, the Group's policy provides guidance on employees' behaviours, for example, the acceptance of gifts and conflict of interests, to further enhance the awareness of employees. Any unethical behaviours are strictly prohibited in the Group.

The Group has established a comprehensive mechanism for reporting and investigating procedures for related issues. The Group would immediately terminate the employment contract with employees who accept any benefits from customers and suppliers. Employees are asked to notify their respective division heads of any suspicious transactions. Suppose an employee is found to be in violation of corruption after investigation. In that case, the Group will take disciplinary actions against the employee involved, including the termination of employment contracts immediately. The Board would report the cases to the relevant authorities if the case is found to be sufficiently supported with evidence.

During the year ended 31 March 2022, no legal case or dispute in respect of bribery, extortion, fraud or money laundering was charged against the Group and our employees.

Compliance with laws and regulations

The Group compliances relating to dishonest and corrupt activities according to the following laws and regulations:

- Anti-Money Laundering Law of the People's Republic of China;
- Criminal law of the People's Republic of China;
- Anti-Unfair Competition Law of the People's Republic of China; and
- Interim Provisions on Banning Commercial Bribery.

COMMUNITY

Community Investment

The Group is committed to community services in its business operation. Being a part of the healthcare sector, the Group strives to raise the awareness of public health.

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 60 to 145, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

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

Key audit matter	How the matter was addressed in our audit
Business combination	
During the year ended 31 March 2022, the Group acquired 60% of equity interest of Beijing Youkang Jianye Medical Equipment Co., Ltd. (北京佑康健業醫療器械有限公司) ("Beijing Youkang"), a company incorporated in the the People's Republic of China ("PRC"). Upon the completion of acquisition, the Group recognised goodwill and contingent consideration of approximately HK$15,199,000 and HK$15,056,000. The Group engaged an independent external valuer to assess the fair values of the acquired identifiable net assets and the contingent considerations for the acquisition at the acquisition date. We identified the business combination as a key audit matter because of the complexity and significant degree of management judgment involved in the measurement of the fair values of the acquired identifiable net assets and the determination of the fair value of contingent consideration at the acquisition date.	Our audit procedures in relation to the business combination included the following: – We obtained and reviewed related acquisition agreement to understand the background and the related important information; – We assessed the objectivity, independence and competence of the independence external valuer engaged by the Group; – We checked the arithmetical accuracy of the calculations underlying the purchase price allocation; and – We discussed with management and independent external valuer engaged by the Group in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable and appropriate;

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill, right-of-use assets and property, plant and equipment	
As at 31 March 2022, the Group had carrying amount of goodwill, right-of-use assets and property, plant and equipment of approximately HK$40,970,000, HK$ 3,398,000 and HK$ 25,356,000 respectively, which were allocated to two cash generating units, namely hospital operation and management service and distribution and service in medical equipment and consumables (the "CGUs"). Management is required to perform impairment testing for goodwill on an annual basis and other non-financial assets where an indicator of impairment of these assets exists. The impairment tests are based on the recoverable amounts of CGUs to which the goodwill and other non-financial assets are associated with. The recoverable amounts of these non-financial assets are assessed by value in use ("VIU") calculation which are based on cash flow projections on a CGU basis. Significant judgements and estimates are required to determine the recoverable amounts of the CGUs, using appropriate key assumptions including expected growth in revenues, operating profit used to extrapolate the cash flows and the rate at which they are discounted. After the management assessment, management has concluded that there is no impairment loss of goodwill, rights-of-use assets and property, plant and equipment was recognised during the year ended 31 March 2022. We identified impairment assessment of goodwill and right-of-use assets and property, plant and equipment a key audit matter because significant management judgement was used to appropriately identify the CGUs and to determine the key assumptions including estimated future income, operating margins and discount rates.	Our audit procedures in relation to impairment assessment of goodwill, right-of-use assets and property, plant and equipment included the following: – We assessed the management's identification of CGUs based on our understanding of the Group's operations; – We discussed with management and independent external valuer engaged by the Group in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable and appropriate; – We checked the accuracy appropriateness and reliance of the input data used; – We evaluated the competence, capabilities and objectivity of the independent external valuer taking into account its experience and qualifications; – We compared the current year future cash flows with the prior year cash flow projections to consider if the assumptions included in the cash flow projects were reasonable; and – We assessed the sensitivity analysis on key assumptions being used in the cash flow projections (e.g. using a range of higher discount rates and lower revenue growth rate).

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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.

RESPONSIBILITIES OF DIRECTORS' AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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 is 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, actions taken to eliminate threats or safeguards applied.

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.

The engagement partner on the audit resulting in the independent auditor's report is Chan Wai Nam, William with practising certificate number P05957.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2022

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

Consolidated Statement of Profit or loss

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	10	**107,025**	87,889
Cost of good sold/service rendered		**(78,336)**	(61,897)
Gross profit		**28,689**	25,992
Other income	11	**732**	6,476
Other gain/(loss), net	11	**2,452**	668
Share-based payment	13	**(773)**	(895)
Selling and distribution expenses		**(11,120)**	(9,508)
Administrative expenses		**(28,396)**	(27,770)
Finance costs	12	**(293)**	(294)
LOSS BEFORE TAX	13	**(8,709)**	(5,331)
Income tax	14	**(405)**	(1,228)
LOSS FOR THE YEAR		**(9,114)**	(6,559)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(12,205)**	(7,744)
Non-controlling interests	41	**3,091**	1,185
		(9,114)	(6,559)
LOSS PER SHARE	16		
Basic		**(HK0.29 cents)**	(HK0.19 cents)
Diluted		**(HK0.29 cents)**	(HK0.19 cents)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	2022	2021
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(9,114)**	(6,559)
Other comprehensive expense:		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**6,725**	4,916
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(2,389)**	(1,643)
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	**(5,572)**	(2,828)
Non-controlling interests	**3,183**	1,185
	(2,389)	(1,643)

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**25,356**	25,073
Right-of-use assets	18	**3,398**	4,023
Goodwill	19	**40,970**	22,603
Deposit for property, plant and equipment	24	**–**	1,658
Prepayment	24	**18,530**	–
		88,254	53,357
CURRENT ASSETS			
Inventories	22	**13,434**	5,080
Trade receivables	23	**38,156**	56,317
Prepayments, deposits and other receivables	24	**17,714**	18,524
Loan and interest receivables	21	**59,862**	79,946
Cash and bank balances	25	**8,537**	4,594
		137,703	164,461
CURRENT LIABILITIES			
Trade payables	26	**21,138**	17,079
Other payables and accrued expenses	27	**80,505**	86,653
Amount due to a director	37(b)	**5,100**	5,758
Contract liabilities	28	**1,396**	651
Lease liabilities	29	**850**	1,084
Contingent consideration	30	**6,375**	–
Bank and other borrowings	31	**17,617**	3,553
Tax payable		**3,914**	2,327
		136,895	117,105

Consolidated Statement of Financial Position (Continued)

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
NET CURRENT ASSETS		**808**	47,356
TOTAL ASSETS LESS CURRENT LIABILITIES		**89,062**	100,713
NON-CURRENT LIABILITIES			
Contingent consideration	*30*	**3,930**	–
Lease liabilities	*29*	**–**	727
		3,930	727
NET ASSETS		**85,132**	99,986
EQUITY			
Share capital	*32*	**413,995**	413,995
Reserves		**(334,417)**	(318,956)
Equity attributable to owners of the Company		**79,578**	95,039
Non-controlling interests	*40*	**5,554**	4,947
TOTAL EQUITY		**85,132**	99,986

Approved and authorised for issue by the Board of Directors on 30 June 2022 and are signed on its behalf by:

Zhang Fan
Director

Chung Ho
Director

Consolidated Statement of Changes In Equity

For the year ended 31 March 2022

	Equity attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Foreign currency translation reserve	Share options reserve	Other 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$'000*	*HK$'000*
		(note a)	*(note b)*	*(note c)*	*(note d)*	*(note e)*				
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
At 1 April 2021	**413,995**	**525,958**	**57,124**	**(3,267)**	**6,084**	**–**	**(904,855)**	**95,039**	**4,947**	**99,986**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(12,205)**	**(12,205)**	**3,091**	**(9,114)**
Other comprehensive (expense)/income for the year	**–**	**–**	**–**	**6,633**	**–**	**–**	**–**	**6,633**	**92**	**6,725**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**6,633**	**–**	**–**	**(12,205)**	**(5,572)**	**3,183**	**(2,389)**
Grant of share options	**–**	**–**	**–**	**–**	**773**	**–**	**–**	**773**	**–**	**773**
Lapsed of share options	**–**	**–**	**–**	**–**	**(473)**	**–**	**473**	**–**	**–**	**–**
Further Acquisition of a subsidiary	**–**	**–**	**–**	**(358)**	**–**	**(10,304)**	**–**	**(10,662)**	**(3,938)**	**(14,600)**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,362**	**1,362**
At 31 March 2022	**413,995**	**525,958***	**57,124***	**3,008***	**6,384***	**(10,304)***	**(916,587)***	**79,578**	**5,554**	**85,132**

* *These reserve amounts comprise the consolidated deficiency in reserves of approximately HK$334,417,000 (2021: HK$318,956,000) in the consolidated statement of financial position.*

Consolidated Statement of Changes In Equity (Continued)

For the year ended 31 March 2022

(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 2022 and 2021, 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.

(e) Other reserve

The other reserve represents the equity transaction in relation to the further acquisition of a non-wholly owned subsidiary during the year ended 31 March 2022. On 21 May 2021, the Group indirectly own a 75% equity interest in the Bloom King Corporation Limited ("Bloom King") and the effective equity interest held by the Group in Mageruizi Wuhan increased from 51% to 87.75%. 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.

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
Cash flows from operating activities		
Loss before tax:	**(8,709)**	(5,331)
Adjustments for:		
Interest on lease liabilities	**140**	224
Interest income	**(6)**	(8)
Loan interest income	**(327)**	(5,135)
Loan interest expense	**153**	70
Depreciation of property, plant and equipment	**3,247**	2,830
Depreciation of right-of-use assets	**784**	741
Provision/(reversed) of impairment loss on loan and interest receivable	**2,400**	(722)
Reversed of impairment loss on trade receivables	**(137)**	(124)
Recognised of impairment loss on other receivables	**36**	191
Loss on disposal of property, plant and equipment	**–**	187
Derecognition of right-of-use asset	**–**	(13)
Change in fair value of contingent consideration	**(4,751)**	–
Share-based payment	**773**	895
Operating cash flow before movement in working capital	**(6,397)**	(6,195)
Increase in deposit for property, plant and equipment	**–**	(1,658)
(Increase)/decrease in inventories	**(1,671)**	1,480
Decrease in loan and interest receivables	**21,032**	13,154
Decrease/(increase) in trade receivables	**28,662**	(20,355)
Decrease/(increase) in prepayments, deposits and other receivables	**2,906**	(13,702)
(Decrease)/increase in trade payables	**(60)**	2,980
(Decrease)/increase in other payables and accrued expenses	**(13,796)**	16,590
Increase/(decrease) in contract liabilities	**745**	(1,771)
(Decrease)/increase in amount due to a director	**(658)**	5,758
Net cash generated from/(used in) operations	**30,763**	(3,719)
Income tax refunded/(paid)	**1,182**	(5,284)
Net cash generated from/(used in) operating activities	**31,945**	(9,003)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2022

	2022	2021
	HK$'000	*HK$'000*
Cash flows from investing activities		
Purchase of property, plant and equipment	**(795)**	(1,840)
Prepayment for investment	**(18,530)**	–
Bank interest received	**6**	8
Net cash outflow from further acquisition of a subsidiary	**(14,600)**	–
Net cash outflow from acquisition of a subsidiary	**(1,361)**	–
Net cash used in investing activities	**(35,280)**	(1,832)
Cash flows from financing activities		
Capital element of lease rentals paid	**(1,101)**	(921)
Addition in bank and other borrowings	**14,064**	3,553
Loan interest paid	**(153)**	(70)
Net cash flows generated from financing activities	**12,810**	2,562
Net increase/(decrease) in cash and cash equivalents	**9,475**	(8,273)
Effect of foreign exchange rate changes, net	**(5,532)**	2,622
Cash and cash equivalents at beginning of the year	**4,594**	10,245
Cash and cash equivalents at end of the year	**8,537**	4,594
Analysis of cash and cash equivalents:		
Cash and bank balances	**8,537**	4,594

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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 directors of the Company regard Treasure Wagon Limited, a private limited liability company incorporated in Samoa, as the immediate and ultimate holding company of the Company. Its ultimate controlling party is Mr. Zhang Fan who is chairman of the Board and executive Director of the Company.

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, provision of hospital operation and management services and business service 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.

The consolidated financial statements have been prepared on the historical cost basis except contingent consideration that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

For financial instruments which is stated at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 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.

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 statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Basis of consolidation *(Continued)*

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has 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 2022

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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 2022

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

Business combinations and goodwill *(Continued)*

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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 (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than 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 2022

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 Group's parent;

(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 Group's parent.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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, estimated 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 2022

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

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Leases

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 of HKFRS 16 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. As a practical expedient, leases with similar charactertics are accounted on a portfolio basis with the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Leases *(Continued)*

As a lessee (Continued)

Short-term lease

The Group applies the short-term lease recognition exemption to lease 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 or another systematic 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.

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Leases *(Continued)*

As a lessee (Continued)

Right-of-use assets *(Continued)*

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.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Leases *(Continued)*

As a lessee (Continued)

Lease liabilities *(Continued)*

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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

COVID-19-related rent concessions

In related to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due one or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the change applying HKFRS 16 if the changes are not a lease modification. Forgiveness or wavier of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the reporting period in which the event occurs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Financial assets *(Continued)*

Classification of financial assets *(Continued)*

Investments in debt securities (Continued)

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

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

Transaction costs

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

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 bank balances, deposits, loan and interest receivables, trade and other receivables;

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Impairment on financial assets *(Continued)*

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.

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).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Impairment on financial assets *(Continued)*

- 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.

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".

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

Deposits, loan and interest receivables, and trade and other receivables

Deposits loan and interest receivables and 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 deposits loan and interest receivables and trade and other 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 2022

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

Deposits, loan and interest receivables, and 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 liabilities

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.

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 2022

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 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, bank and other borrowings and amount due to a director and 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 2022

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 2022

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 2022

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 2022

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 2022

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 and business service 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Retirement benefit costs

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' relevant income 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 in the MPF Scheme. Under the MPF Scheme, the employer and its employees are each required to make contribution to the no undertaking MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

The employees of the Company's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage 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. The Group's employer contributions vest fully with the employees when contributed in the central pension scheme The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 March 2022, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

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).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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.

Fair value assessment of the recognition of goodwill arising from business combinations

Significant judgments and estimates were involved in the fair value assessment of the recognition of goodwill arising from business combinations. These significant judgments and estimates include the adoption of appropriate valuation models and methodologies and the use of key assumptions in the valuation (mainly gross profit margins, earnings before interest, tax, depreciation ("EBITDA") margins and discount rates). See Note 35 for further details.

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.

Loss allowance for ECL of trade receivables, other receivables, deposits, loan and interest receivables

The Group's management estimates the loss allowance for trade receivables, other receivables, deposits, loan and interest receivables 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, other receivables, deposits, loan and interest receivables.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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.

8. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022	2021
	HK$'000	*HK$'000*
Financial assets:		
Amortised cost	**119,655**	155,215
Financial liabilities:		
Amortised cost	**102,493**	105,543

(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, amount due to a director, contingent consideration, bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, credit risk liquidity risk and interest rate 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

8. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

The carrying amounts of and impairment assessment trade and other receivables and cash and bank balance represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 March 2022 and 2021, 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 prepayments has 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$38,000 (2021: HK$191,000).

The Group only trades with recognised and creditworthy third parties. As at 31 March 2022, the Group has concentration of credit risk of 14% (2021: 43%) and 51% (2021: 70%) 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.

Loan and interest receivables

The management estimates the estimated loss rates of loan and interest receivables based on historical credit loss experience of the debtors as well as the fair value of collateral pledged by the customers to the loan receivables. Based on assessment by the directors, the loss given default is low in 4.5%.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

8. FINANCIAL INSTRUMENTS *(Continued)*

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

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

8. FINANCIAL INSTRUMENTS *(Continued)*

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

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount *HK$'000*	Allowance for impairment *HK$'000*	Net carrying amount *HK$'000*
2022					
Loan and interest receivables	Watch list	12m ECL	**63,018**	**(3,156)**	**59,862**
Loan and interest receivables	Loss	Lifetime ECL – credit-impaired	**616**	**(616)**	**–**
Trade receivables	Performing	12m ECL	**39,899**	**(1,743)**	**38,156**
Deposits and other receivables	Performing	12m ECL (not credit-impaired and assessed individually)	**13,291**	**(191)**	**13,100**
2021					
Loan and interest receivables	Performing	12m ECL	80,619	(673)	79,946
Loan and interest receivables	Loss	Lifetime ECL – credit-impaired	616	(616)	–
Trade receivables	Performing	12m ECL	58,197	(1,880)	56,317
Deposits and other receivables	Performing	12m ECL (not credit-impaired and assessed individually)	14,384	(25)	14,359

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

8. FINANCIAL INSTRUMENTS *(Continued)*

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

Loan and interest receivables *(Continued)*

Provision matrix – Debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 March 2022, the Group provided HK$1,743,000 (2021: HK$1,880,000) impairment allowance for trade receivables based on collective assessment. Impairment allowance of HK$1,383,000 (2021: HK$901,000) were made on debtors with significant balances and credit-impaired debtors respectively.

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 2022

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:

	2022				2021			
	Less than 1 year or on demand	**1-5 years**	**Total undiscounted cash flows**	**Carrying amount**	Less than 1 year or on demand	1-5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities								
Trade payables	**21,138**	**–**	**21,138**	**21,138**	17,079	–	17,079	17,079
Other payables and accrued expenses	**80,505**	**–**	**80,505**	**80,505**	86,653	–	86,653	86,653
Amount due to a director	**5,100**	**–**	**5,100**	**5,100**	5,758	–	5,758	5,758
Lease liabilities	**886**	**–**	**886**	**850**	1,133	849	1,982	1,811
Bank and other borrowings	**18,227**	**–**	**18,227**	**17,617**	3,621	–	3,621	3,553
	125,856	**–**	**125,856**	**125,210**	114,244	849	115,093	114,854

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank and other borrowings and lease liabilities. The Group cash flow interest rate risk is mainly concentrated on loan prime rate arising from the Group's RMB dollar denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

(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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

8. FINANCIAL INSTRUMENTS *(Continued)*

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

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;
- 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).

Fair value hierarchy as at 31 March 2022

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Financial liabilities				
Contingent consideration	–	–	10,305	10,305

Information about level 3 fair value measurement

Financial liabilities	**Fair value as at 31 March 2022**	Fair value as at 31 March 2021	Valuation technique	Significant unobservable input	Relation of significant unobservable inputs to fair value
Contingent consideration	**HK$ 10,305,000**	–	Monte Carlo Simulation method	Expected net profit	The fair value measurement is negatively correlated to the expected net profit

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

8. FINANCIAL INSTRUMENTS *(Continued)*

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

Reconciliation of Level 3 fair value measurements

	Contingent Consideration
	HK$'000
At 1 April 2021	–
Business combination	15,056
Total losses in profit or loss	(4,751)
At 31 March 2022	10,305

9. OPERATING SEGMENT INFORMATION

The Group's operating segments, based on information reported to the executive directors being the chief operating decision maker ("CODM"), 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 corporate liabilities as these liabilities are managed on a group basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

9. OPERATING SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by operating segments for the years ended 31 March 2022 and 2021:

For the year ended 31 March 2022	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	88,912	17,958	155	107,025
Segment results	8,555	(2,539)	(83)	5,933
Reconciliation:				
Interest income and unallocated income				5,483
Corporate and other unallocated expenses				(20,125)
Loss before tax				(8,709)
Depreciation	278	3,022	6	3,306
Reconciliation:				
Unallocated depreciation				725
				4,031

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

9. OPERATING SEGMENT INFORMATION *(Continued)*

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	139	3,414	5	3,558
Reconciliation:				
Unallocated depreciation				13
				3,571

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 5. Segment result represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments, change in contingent consideration and unallocated finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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 2022 and 2021:

For the year ended 31 March 2022

	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	**104,115**	**80,896**	**18,906**	**203,917**
Corporate and other unallocated assets				**22,040**
Total assets				**225,957**
Segment liabilities	**101,111**	**25,624**	**458**	**127,193**
Corporate and other unallocated liabilities				**13,632**
Total liabilities				**140,825**

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

9. OPERATING SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2022

	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management services *HK$'000*	Business service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	**35**	**2,418**	**–**	**–**	**2,453**
Depreciation of property, plant and equipment	**570**	**2,656**	**–**	**21**	**3,247**
Depreciation of right-of-use assets	**724**	**60**	**–**	**–**	**784**

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$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	896	941	–	3	1,840
Disposal of property, plant and equipment	–	–	–	187	187
Depreciation of property, plant and equipment	663	2,150	–	17	2,830
Depreciation of right-of-use assets	685	56	–	–	741

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

9. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

For the years ended 31 March 2022 and 2021, 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 years ended 31 March 2022 and 2021, the Group had transactions with nil customer (2021: one customer) who contributed over 10% of the Group's total revenue, which is summarised below:

	2022	2021
	HK$'000	*HK$'000*
Customer 1 (Distribution and service in medical equipment and consumables).	**N/A**	10,456

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 and value-added tax. An analysis of the Group's revenue is as follows:

	2022	2021
	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*	**88,912**	68,768
Income from provision of hospital operation and management services* *(Note)*	**17,958**	18,364
Service fee income*	**155**	757
	107,025	87,889

* 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 2022

10. REVENUE *(Continued)*

Note: The amount comprises (a) the management fee income from Shuangluan Hospital of approximately HK$nil (2021: approximately HK$3,088,000); (b) the management fee income and hospital operation income from Anping Hospital of approximately HK$17,958,000 (2021: HK$15,276,000).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its customer contracts relating distribution and service in medical equipment and consumables such that the Group had not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

11. OTHER INCOME/OTHER GAIN/(LOSS), NET

	2022	2021
	HK$'000	*HK$'000*
(i) Other income:		
Loan interest income	**327**	5,135
Interest income	**6**	8
Sundry income	**399**	1,333
	732	6,476
(ii) Other gain/(loss), net:		
Charge in fair value of contingent consideration	**4,751**	–
(Provisions)/reversal of impairment loss on loan and interest receivables	**(2,400)**	722
Reversed of impairment loss on trade receivables	**137**	124
Recognised of impairment loss on other receivables	**(36)**	(191)
Derecognition of right-of-use asset	**–**	13
	2,452	668

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

12. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on lease liabilities	**140**	224
Interest on bank and other borrowings	**153**	70
	293	294

13. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2022	2021
	HK$'000	*HK$'000*
Auditors' remuneration	**870**	810
Depreciation of right-of-use assets	**784**	741
Depreciation of property, plant and equipment	**3,247**	2,830
Loss on disposal of property, plant and equipment	**–**	187
Short-term lease payments	**1,298**	1,140
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**11,195**	17,056
– Share-based payments	**773**	895
– Contributions to defined contribution retirement plans	**51**	410

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

14. INCOME TAX

Hong Kong Profits Tax is calculated at the rate 16.5% (2021: 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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

	2022	2021
	HK$'000	*HK$'000*
Current tax- PRC		
Provision for the year	**405**	1,228

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:

	2022	2021
	HK$'000	*HK$'000*
Loss before tax	**(8,709)**	(5,331)
Tax at the statutory rate in the PRC of 25%	**(2,177)**	(1,333)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**–**	1
Tax effect of non-taxable income	**(7)**	(2)
Tax effect of non-deductible expenses	**827**	973
Tax losses not recognised	**1,762**	1,589
Tax charge for the year	**405**	1,228

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

15. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

Directors' emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended 31 March 2022

	Notes	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Share-based payments HK$'000	Total HK$'000
EXECUTIVE DIRECTORS						
Mr. Chung Ho		–	1,200	18	328	1,546
Mr. Zhang Fan *(Chairman)*		–	1,200	18	44	1,262
NON-EXECUTIVE DIRECTORS						
Mr. Xing Yong		300	–	–	44	344
Mr. Huang Lianhai		100	–	–	33	133
Mr. Wang Jingming	*e*	–	373	–	33	406
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. Jiang Xuejun		100	–	–	44	144
Mr. Du Yanhua		100	–	–	33	133
Mr. Lai Liangquan		100	–	–	33	133
Ms. Meng Junfeng	*a*	139	–	–	–	139
		839	2,773	36	592	4,240

During both years ended 31 March 2022 and 2021, no remuneration was paid by the Group to the directors, as an inducement to join or upon joining the Group as compensation for loss of office.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the year. During the year ended 31 March 2022, no share option of the Company was granted to the directors in respect of their services provided to the Group under a share option scheme of the Company (2021: 61,000,000 of share option). The executive directors' emoluments and non-executive directors emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Directors' emoluments *(Continued)*

Year ended 31 March 2021

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Directors' emoluments *(Continued)*

Notes:

a) Ms. Meng Junfeng has been appointed as independent non-executive director of the Company with effective from 21 April 2020 and resigned as independent non-executive director of the company with effective from 20 September 2021.

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

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

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

e) Mr. Wang Jingming has been re-designated from an executive Director to a non-executive Director of the Company with effective from 18 October 2021.

Salaries, allowance and other benefits 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 (2021: five) were directors of the Company whose emoluments are presented above. The emoluments of the remaining nil individual in 2022 (2021: nil individuals) were as follows:

	2022	2021
	HK$'000	*HK$'000*
Salaries, wages and other benefits	–	–
Contributions to retirement benefit schemes	–	–
	–	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Five highest paid individuals *(Continued)*

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

	Number of employees	
	2022	2021
Nil to HK$1,000,000	–	–
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 2022 and 2021.

16. LOSS PER SHARE

	2022	2021
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:	**(12,205)**	(7,744)

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating loss per share	**4,122,304**	4,122,304

The computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2022 and 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Medical equipment	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicle	Software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:							
At 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 and 1 April 2021	**15,050**	**8,357**	**5,966**	**2,219**	**1,195**	**2,209**	**34,996**
Acquisition of a subsidiary	**–**	**–**	**–**	**10**	**–**	**–**	**10**
Addition	**–**	**170**	**157**	**428**	**–**	**1,698**	**2,453**
Exchange realignment	**649**	**363**	**260**	**96**	**52**	**127**	**1,547**
At 31 March 2022	**15,699**	**8,890**	**6,383**	**2,753**	**1,247**	**4,034**	**39,006**
Accumulated depreciation:							
At 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 and 1 April 2021	**763**	**4,368**	**2,079**	**1,578**	**164**	**971**	**9,923**
Acquisition of subsidiary	**–**	**–**	**–**	**1**	**–**	**–**	**1**
Provided for the year	**244**	**1,507**	**676**	**233**	**262**	**325**	**3,247**
Exchange realignment	**37**	**216**	**102**	**64**	**11**	**49**	**479**
At 31 March 2022	**1,044**	**6,091**	**2,857**	**1,876**	**437**	**1,345**	**13,650**
Net carrying values							
At 31 March 2022	**14,655**	**2,799**	**3,526**	**877**	**810**	**2,689**	**25,356**
At 31 March 2021	14,287	3,989	3,887	641	1,031	1,238	25,073

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

18. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leasehold buildings HK$'000	Medical equipment HK$'000	Total HK$'000
Cost:				
At 1 April 2020	1,507	860	4,356	6,723
Written off	–	(860)	–	(860)
Exchange realignment	123	–	357	480
At 31 March 2021 and 1 April 2021	**1,630**	**–**	**4,713**	**6,343**
Exchange realignment	**70**	**–**	**203**	**273**
At 31 March 2022	**1,700**	**–**	**4,916**	**6,616**
Accumulated depreciation:				
At 1 April 2020	22	251	1,416	1,689
Provided for the year	56	–	685	741
Written off	–	(251)	–	(251)
Exchange realignment	3	–	138	141
At 31 March 2021 and 1 April 2021	**81**	**–**	**2,239**	**2,320**
Acquisition of subsidiary	**–**	**–**	**–**	**–**
Provided for the year	**60**	**–**	**724**	**784**
Exchange realignment	**7**	**–**	**107**	**114**
At 31 March 2022	**148**	**–**	**3,070**	**3,218**
Carrying amount:				
At 31 March 2022	**1,552**	**–**	**1,846**	**3,398**
At 31 March 2021	1,548	–	2,474	4,023

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 2022

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.

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of 1 year (2021: 1 year), Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. GOODWILL

	2022	2021
	HKD	*HKD*
Cost:		
As at 1 April	**22,603**	22,603
Acquisition	**15,199**	–
Exchange realignment	**3,168**	–
As at 31 March	**40,970**	22,603
Accumulated impairment:		
As at 1 April	**–**	–
Exchange realignment	**–**	–
At 31 March	**–**	–
Carrying amounts:	**40,970**	22,603

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

19. GOODWILL *(Continued)*

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business segments (net of impairment) as follows:

	2022	2021
Hospital operation and management service	25,510	22,603
Distribution and service in medical equipment and consumables	15,460	–
	40,970	22,603

Hospital operation and management service

During the year ended 31 March 2020, 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 the Hospital management business 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 (2021: 5-year period), based on financial budgets approved by the management with discount rate of 11.30% (2021: 11.89%) per annum. Cash flows beyond the 5-year period (2021: 5-year period) are extrapolated with 2% (2021: 3%) growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross margin and revenue growth of 4% to 19% (2021: 17% to 25%). Such estimation is based on the CGU's past performance and management's expectations of the market development.

During the years ended 31 March 2022 and 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 2022

19. GOODWILL *(Continued)*

Distribution and service in medical equipment and consumables

During the year ended 31 March 2022, the Group acquired 60% equity interest of Beijing Youkang at the consideration of approximately and therefore goodwill approximately HK$15,199,000 was recognised upon the acquisition.

The recoverable amount of the Distribution and service in medical equipment and consumables 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, based on financial budgets approved by the management with discount rate of 12% per annum. Cash flows beyond the 5-year period are extrapolated with 2% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross margin and revenue growth of 40% and 7%. Such estimation is based on the CGU's past performance and management's expectations of the market development.

During the years ended 31 March 2022, 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.

20. INVESTMENT IN AN ASSOCIATE

	2022	2021
	HK$	*HK$*
Cost of investment in associate	–	–
Share of post-acquisition loss and other comprehensive expense	–	–
	–	–

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**	
		2022	2021
北京景明醫院管理有限公司	PRC	**20%**	20%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

20. INVESTMENT IN AN ASSOCIATE *(Continued)*

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 2022 (2021: 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 2022.

Note: The cumulative unrecognised share of loss of an associate is HK$Nil (2021: Nil).

21. LOAN AND INTEREST RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Loan and interest receivables – unsecured	**59,862**	79,946
Presented as		
– current assets	**59,862**	79,946

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

	2022	2021
	HK$'000	*HK$'000*
Within one year	**59,862**	79,946
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**–**	–
	–	–
	59,862	79,946

The above loan and interest receivables are denominated in RMB and 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 2022 and 2021, none of the covenants were breached.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

21. LOAN AND INTEREST RECEIVABLES *(Continued)*

Movement of loan and interest receivables is as follows:

	2022	2021
	HK$'000	*HK$'000*
As at 1 April	**79,946**	87,243
Additions	**–**	4,903
Repayment	**(21,032)**	(19,620)
Impairment charged for the year, net	**(2,400)**	722
Exchange realignment	**3,348**	6,698
As at 31 March	**59,862**	79,946

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

	2022		2021	
	Effective interest rate	**Carrying amount**	Effective interest rate	Carrying amount
	%	***HK$'000***	*%*	*HK$'000*
Fixed rate:				
Loan receivables	**7**	**59,862**	7	79,946
		59,862		79,946

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

21. LOAN AND INTEREST RECEIVABLES *(Continued)*

	Loan and interest receivables			
	12-month ECL	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	1,395	–	616	2,011
Reversal for the year	(722)	–	–	(722)
At 31 March 2021 and 1 April 2021	673	–	616	1,289
Transfer to 12-month ECL	–	–	–	–
Transfer to lifetime (not-credit impaired)	(673)	673	–	–
Transfer to lifetime (credit impaired)	–	–	–	–
Total transfer between stages	(673)	673	–	–
Charge for the year	–	2,400	–	2,400
Exchange realignment	–	83	–	83
At 31 March 2022	–	3,156	616	3,772

In general, loan and interest receivables are considered as default with the loan and interest receivables being overdue by 180 days. As at 31 March 2022, loan receivables were not default under lifetime ECL. As at 31 March 2022, no loan and interest receivables were default.

For loan receivables that are not credit-impaired without significant increase in credit risk since initial recognition ("Stage 1"), ECL is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. If a significant increase in credit risk since initial recognition is identified ("Stage 2") but not yet deemed to be credit-impaired, ECL is measured based on lifetime ECL (non-credit impaired). If credit impaired is identified ("Stage 3"), ECL is measured based on lifetime ECL (credit-impaired). In general, when loans and interest receivables are overdue by 30 days, there is significant increase in credit risk.

As at 31 March 2022, the charge of impairment allowance of loans receivable of approximately HK$2,400,000 (2021: reversal approximately HK$722,000).

All the interest receivables at the end of the reporting period, based on the maturity date, are within one year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

22. INVENTORIES

	2022	2021
	HK$'000	*HK$'000*
Finished goods	**13,434**	5,080

23. TRADE RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Distribution and service in medical equipment and consumables	**34,826**	30,463
Hospital operation and management services	**5,029**	25,993
Business service	**44**	1,741
	39,899	58,197
Less: Allowance for credit loss	**(1,743)**	(1,880)
	38,156	56,317

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 180 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:

	2022	2021
	HK$'000	*HK$'000*
Within 90 days	**797**	7,865
91 – 180 days	**14,237**	10,057
Over 180 days	**23,122**	38,395
	38,156	56,317

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

23. TRADE RECEIVABLES *(Continued)*

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

	2022	2021
	HK$'000	*HK$'000*
Within 90 days	**15,035**	3,715
91 – 180 days	**19,594**	6,330
Over 180 days	**3,527**	29,265
	38,156	39,310

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:

	2022	2021
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,880**	2,004
Reversal of allowance, net	**(137)**	(124)
Balance at end of the year	**1,743**	1,880

As 1 April 2020, trade receivables from contracts with customers amounted to HK$35,838,000.

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$38,156,000 (2021: HK$55,601,000) which are past due as at the reporting date. Out of the past due balances, HK$38,156,000 (2020: HK$39,310,000) has been past due 90 days or more and is not considered as in default.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Prepayments	**23,144**	4,165
Deposits	**500**	457
Other receivables	**12,600**	13,902
	36,244	18,524
Less: non-current position *(Note)*	**(18,530)**	–
	17,714	18,524

Note: On 5 July 2021, Zhongwei Health Industries (Shenzhen) Company Limited(the "Zhongwei Health"), a wholly-owned subsidiary of the Company, and 寧波易達誠資產管理有限公司 (Ningbo Yidacheng Asset Management Co., Ltd., "Ningbo Yidacheng") entered into the agreement, pursuant to which Ningbo Yidacheng agreed to transfer the partnership interest in 北京啟慧智元信息科技合伙企業（有限合伙） (Beijing Qihui Zhiyuan Information Technology Enterprise Partnership (Limited Partnership), "Beijing Qihui") to Zhongwei Health for a cash consideration of RMB1 payable by Zhongwei Health. In consideration of the Vendor transferring the partnership interest to Zhongwei Health, Zhongwei Health shall take up the obligation of Ningbo Yidacheng to contribute registered capital in the amount of RMB30,000,000 to Beijing Qihui.

Beijing Qihui holds a 15% partnership interest (as limited partner) in the Bochuang Fund. The Bochuang Fund is a limited partnership established in the PRC on 10 July 2020 under the approval of the Ministry of Science and Technology of the PRC. The Bochuang Fund has invested in several projects engaging in medical equipment business, research and development and sale of implantable drugs for cancer treatment and development and operation of digital healthcare services platform.

Upon capital contribution of RMB30 million by Zhongwei Health to Beijing Qihui, Zhongwei Health will be interested in 16.6% partnership interest in Beijing Qihui. Zhongwei Health's percentage interest in the Beijing Qihui's profit or loss shall be diluted to 4.44% if Ningbo Yidacheng pays up in full its share of outstanding registered capital of Beijing Qihui (or any other partners make additional capital contribution to Beijing Qihui).

As at 31 March 2022, capital of RMB15,000,000 (approximately HK$18,530,000) has been paid by the Group.

Both parties agreed that the remaining capital of RMB15,000,000 (approximately HK$18,530,000) will be paid by Zhongwei Health on or before 31 December 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

25. CASH AND BANK BALANCES

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

	2022	2021
	HK$'000	*HK$'000*
RMB	**7,571**	3,266
HK$	**960**	1,276
US$	**6**	52
	8,537	4,594

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.

26. TRADE PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**21,138**	17,079

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

	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**317**	1,800
1-3 months	**1,372**	665
Over 3 months but within 1 year	**19,449**	14,614
	21,138	17,079

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

27. OTHER PAYABLES AND ACCRUED EXPENSES

	2022	2021
	HK$'000	*HK$'000*
Other payables *(Note: 1 and 2)*	**56,471**	64,296
Accrual expense	**24,034**	22,357
	80,505	86,653

Note:

1) As at 31 March 2022 and 31 March 2021, approximately US$4,000,000 (equivalent to approximately HK$30,894,000) (31 March 2021: 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 (defendant) on 27 September 2016. Pursuant to the Originating Summons, the Company sought, amongst others, the following reliefs against Li Hong: (1) an order that Li Hong be restrained from presenting any petition for the winding-up of the Company based on the Alleged Outstanding Sum; and (2) costs.

A hearing took place on 30 September 2016 at the High Court of Hong Kong (the "Court"), during which Li Hong has undertaken not to file a winding-up petition against the Company based on the Alleged Outstanding Sum and the Company has undertaken (i) to pay the sum of US$4 million or its equivalent into the Court within 21 days from the date of the hearing, which was so paid on 19 October 2016; and (ii) to comply with any order the Court may make if the Court later finds that Li Hong's undertaking has caused loss to Li Hong or any other party and decides that Li Hong or that other party should be compensated for that loss.

On 8 February 2017, another Court hearing took place and it was ordered, among other things, that (i) Li Hong be restrained from presenting any petition for the winding up of the Company based on the Alleged Outstanding Sum; and (ii) the sum of US$4 million or its equivalent paid into the Court be released to the Company

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Note: (Continued)

1) *(Continued)*

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").

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 grounds including: (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**"). Following that announcement, acknowledgments 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 issued by Capital Foresight Limited 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, with interest and costs. Pursuant to a Court order dated 19 January 2018, this action HCA2569/2017 has been consolidated with the action HCA2549/2017 (the "**2549 & 2569 Action**").

In connection with the 2549 & 2569 Action and up to the date of this announcement, the parties have filed their respective pleadings with the Court. On 25 January 2022, leave was granted to the Company to set the case down for a Trial. The Trial will last for 15 days in June 2023 before the Honourable Mr Justice Harris, with a Pre-Trial Review Hearing fixed on 25 April 2023. The Company will keep the shareholders informed of the latest material developments by making further announcement(s) as and when appropriate.

2) As at 31 March 2022, the balance of amount due to minority shareholder of a subsidiary approximately HK$4,912,000 was included in the other payables. The balance is unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

28. CONTRACT LIABILITIES

The Group typically receives in advance before transfer goods to the customers. The Group expects to deliver the goods to satisfy the remaining obligations of these contract liabilities within one year or less.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied as at 31 March 2022 and 2021.

	2022	2021
	HK$'000	*HK$'000*
Balance as at 1 April	**651**	2,422
Revenue recognised from performance obligations satisfied during the year	**(54,091)**	(39,939)
Acquisition of a subsidiary	**725**	–
Consideration from sales of during the year	**54,045**	38,135
Exchange realignment	**66**	33
Balance as at 31 March	**1,396**	651

29. LEASE LIABILITIES

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

	2022	2021
	HK$'000	*HK$'000*
Current	**850**	1,084
Non-current	**–**	727
	850	1,811

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

29. LEASE LIABILITIES *(Continued)*

2022

	Minimum lease payments *HK$'000*	Present value of lease liabilities *HK$'000*
Minimum lease payment due:		
– Within one year	**886**	**850**
– more than one year but not more than two years	**–**	**–**
– more than two years but not more than five years	**–**	**–**
	886	**850**
Future finance charges	**(36)**	
Present value of lease liabilities	**850**	
Amounts due for settlement within one year (shown under current liabilities)		**(850)**
Amounts due for settlement after one year		**–**

2021

	Minimum lease payments *HK$'000*	Present value of lease liabilities *HK$'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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

29. LEASE LIABILITIES *(Continued)*

As at 31 March 2022, the effective interest rates of the Group's lease liabilities ranged from 8% to 10% per annum (2021: 8% to 10%).

The Group leases office premises and warehouse 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.

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 2022 was HK$1,101,000 (2021: HK$921,000).

30. CONTINGENT CONSIDERATION

	2022 ***HK$'000***	2021 *HK$'000*
Current	**6,375**	–
Non-current	**3,930**	–
	10,305	–

	HK$'000
Acquisition of a subsidiary	15,056
Fair value change	(4,751)
	10,305

During the year ended 31 March 2022, the Group entered into the agreement for the acquisition of 60% equity interest of Beijing Youkang Jianye Medical Equipment Co., Ltd ("Beijing Youkang") (the "Agreement") at the consideration of approximately HK$27,160,000.

Pursuant to the share purchase agreement in the Beijing Youkang Acquisition detailed in Note 35 of the consolidated financial statements, the profit guarantee for the Beijing Youkang's net profit after tax for the year ended 31 March 2022 and 2023 shall not be less than RMB3,000,000 (equivalent to approximately HK$3,660,000) and RMB6,000,000 (equivalent to approximately HK$7,200,000) respectively. In the event of guaranteed profit cannot be met, the shortfall amount, after multiplying by a factor, will be paid to the Company, the fair value of contingent consideration was HK$15,056,000 and HK$ 10,305,000 at date of acquisition and 31 March 2022.

The fair value of the contingent consideration was determined by an independent professional valuer not connected with the Group by using the Monte Carlo simulation method.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

31. BANK AND OTHER BORROWINGS

	2022 *HK$'000*	2021 *HK$'000*
Unsecured bank borrowings *(note 1)*	8,117	3,553
Unsecured other borrowing *(note 2)*	9,500	–
	17,617	3,553

Notes:

1) As at 31 March 2022, the Group had certain bank borrowings, which was denominated in Renminbi, RMB6,500,000 (equivalent to approximately HK$8,117,000) (2021: approximately RMB3,000,000 (equivalent to approximately HK$ 3,553,000)). The bank borrowings carried interest ranging from loan prime rate (the "LPR") plus 0.1% to 0.25% per annum and repayable within one year.

2) As at 31 March 2022, the Group had an other borrowing, which was denominated in HK$, with fixed interest bearing at 6% per annum and repayable on 30 September 2022.

32. SHARE CAPITAL

	Notes	No of shares	Share capital *HK$'000*
Authorised:			
Ordinary shares of HK$0.1 each At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022		100,000,000,000	10,000,000
Issued and fully paid:			
At 1 April 2020		4,093,947,634	409,395
Subscription of shares	*(i)*	46,000,000	4,600
At 31 March 2021, 1 April 2021 and 31 March 2022	*(ii)*	**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, Regarding Beijing Yukang acquisition in Note 35 of the consolidated financial statements. investment and general working capital purposes.

ii) On 22 October 2021, a total of 250,000,000 ordinary shares were successfully issued but subject to the lock-up period provisions according to the profit guarantee indicated in the relevant agreement regarding Beijing Yukang acquisition in Note 35 of the consolidated financial statements. Therefore, such shares are considered not yet issued to the vendor until the condition of profit guarantee satisfied.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022	2021
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	–*	–*
	–	–
CURRENT ASSETS		
Inventory	–	735
Trade receivables	69	71
Prepayments, deposits and other receivables	2,930	927
Amounts due from subsidiaries *(Note a)*	15,330	47,830
Cash and bank balances	949	1,308
	19,278	50,871
CURRENT LIABILITIES		
Other payables and accrued expenses	75,824	60,314
Amount due to a director	191	192
	76,015	60,506
NET CURRENT LIABILITIES	(56,737)	(9,635)
TOTAL ASSETS LESS CURRENT LIABILITIES	(56,737)	(9,635)
NET LIABILITIES	(56,737)	(9,635)
EQUITY		
Issued capital *(Note 32)*	413,995	413,995
Reserves *(Note b)*	(470,732)	(423,630)
Total equity	(56,737)	(9,635)

* Represents amount less than HK$1,000

Approved and authorised for issue by the Board of Directors on 30 June 2022

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

33. 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 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
Lapsesd of share option	–	–	–	(205)	205	–
At 31 March 2021 and at 1 April 2021	**413,995**	**525,958**	**57,124**	**6,084**	**(1,012,796)**	**(9,635)**
Loss for the year	**–**	**–**	**–**	**–**	**(47,875)**	**(47,875)**
Grant of Share option	**–**	**–**	**–**	**773**	**–**	**773**
Lapsesd of share option	**–**	**–**	**–**	**(473)**	**473**	**–**
At 31 March 2022	**413,995**	**525,958**	**57,124**	**6,384**	**(1,060,198)**	**(56,737)**

34. 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.

As at 31 March 2022, the total number of securities available for issue under the share option scheme(s) of the Company was 519,294,763 shares (representing 11.82% of the ordinary shares of the company in issue as at 31 March 2022) which includes share options for 243,400,000 shares that have been granted but not yet lapsed or exercised (representing 5.54% of the ordinary shares of the company in issue as at 31 March 2022).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

34. 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 2022

34. SHARE OPTIONS SCHEME *(Continued)*

Details of the specific categories of options are as follows:

	Option C	Option B	Option A
Grant date	20 October 2020	26 April 2019	19 May 2017
Vesting Period *(Note a)*	20 October 2020	(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	21 October 2021 to 20 October 2031	T1) 27 April 2020 to 26 April 2030 (T2) 27 April 2021 to 26 April 2031 (T3) 27 April 2021 to 26 April 2032	19 May 2017 to 18 May 2022
Exercise price at date of grant	HK$0.18	HK$0.18	HK$0.18
Price of the Company's shares at the date of grant *(Note b)*	HK$0.036	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 option is the higher of the closing price of the shares of the Company on the date of grant of the shar 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 2022

34. SHARE OPTIONS SCHEME *(Continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2022 and 31 March 2021:

	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 2020	0.18	61,000,000	0.18	72,900,000
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 and 1 April 2021	0.18	119,000,000	0.18	146,900,000
Lapsed/forfeited during the year	0.18	(3,000,000)	0.18	(19,500,000)
At 31 March 2022	0.18	116,000,000	0.18	127,400,000

The fair value of equity-settled share options granted during the year ended 31 March 2021 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:

	Option C
Dividend yield (%)	0.00
Expected volatility (%)	76.404
Risk-free interest rate (%)	0.538
Expected life of option for director (years)	2.75
Expected life of option for employee (years)	2.2
Closing share price at grate date (HK$)	0.035

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

34. 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.

No share options were granted by the Company for the years ended 31 March 2022 and 2021.

The Group recognised the total expense of approximately HK$773,000 for the year ended 31 March 2022 in relation to share options granted by the Company (2021: HK$895,000)

35. ACQUISITION OF A SUBSIDIARY

During the year ended 31 March 2022, the Group entered into an agreement for the acquisition of 60% equity interests of Beijing Youkang (the" Agreement"). The consideration was satisfied by: 1) made the capital injection by contributing RMB1,800,000 (equivalent to approximately HK$2,186,000) to the paid-up capital of the Beijing Youkang; and 2) issued of 250,000,000 ordinary shares with the lock-up period provisions according to the profit guarantee indicated in the Agreement.

The principal activities of Beijing Youkang are engaged in medical equipment and consumables distribution business the Directors consider this acquisition represents a good opportunity for the Group to diversify its profile of the Medical Distribution Business both in terms of geographical location and product types, and at the same time increase the revenue source of the Group. The completion date of the acquisition was 22 October 2021.

Consideration transferred

	HK$'000
Cash	2,186
Contingent consideration *(Note)*	15,056
	17,242

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

35. ACQUISITION OF A SUBSIDIARY *(Continued)*

Consideration transferred *(Continued)*

Note:

Pursuant to the Agreement, the vendors guarantee and undertake to the Group that:

1) the audited net profit after tax of the Beijing Youkang for the year ending 31 March 2022 ("FY2022") shall be not less than RMB3,000,000 (equivalent to approximately HK$3,600,000) (the "2022 Guaranteed Profit"); and

2) the audited net profit after tax of the Beijing Youkang for the year ending 31 March 2023 ("FY2023") shall be not less than RMB6,000,000 (equivalent to approximately HK$7,200,000) (the "2023 Guaranteed Profit", together with the 2022 Guaranteed Profit, the "Profit Guarantee").

In considering the fulfilment of the Profit Guarantee,

1) the actual audited net profit after tax of the Target for FY2022 (the "**2022 Actual Profit**") pursuant to the audited accounts of the Target for FY2022 shall meet the 2022 Guaranteed Profit and the actual audited net profit after tax of the Target for FY2023 (the "**2023 Actual Profit**") pursuant to the audited accounts of the Target for FY2023 shall meet the 2023 Guaranteed Profit respectively; or

2) in the event that the 2022 Actual Profit falls short of the 2022 Guaranteed Profit (the "2022 Shortage"), but the 2023 Actual Profit is more than the 2023 Guaranteed Profit (the "2023 Surplus"), the amount of the 2023 Surplus can be applied towards setting off all or part of the 2022 Shortage.

In the event that the Profit Guarantee is not met, the Existing Owners shall jointly and severally compensate the Investor the amount in cash on a dollar-for-dollar basis (the "Compensation") as follows:

1) if both the 2022 Guaranteed Profit and the 2023 Guaranteed Profit are not met, the Compensation shall equal to the aggregate amount of the 2022 Shortage and the 2023 shortage; or

2) if the 2022 Guaranteed Profit is not met but the 2023 Guaranteed Profit is met, the Compensation shall equal to the amount of the 2022 Shortage net of the 2023 Surplus; or

3) if the 2022 Guaranteed Profit is met but the 2023 Guaranteed Profit is not met, the Compensation shall equal to the amount of the 2023 Shortage.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

35. ACQUISITION OF A SUBSIDIARY *(Continued)*

Consideration transferred *(Continued)*

Note: (Continued)

The Compensation, if any, shall be payable by the vendor to the Company within four months after the end of FY2023.

The fair value of such contingent consideration of approximately HK$10,305,000 as at 31 March 2022 and has been included in the Notes 30 of the consolidated financial statements.

Acquisition-related costs amounting to HK$300,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Property, plant and equipment	9
Inventories	6,344
Trade receivables	8,321
Prepayments, deposits and other receivables	1,100
Cash and bank balances	555
Trade payables	(3,326)
Other payables and accrued expenses	(5,891)
Contract liabilities	(725)
Tax payable	(148)
Amount due to a minority shareholder	(2,834)
	3,405

The trade receivables and other receivables acquired in this acquisition had a fair value of approximately HK$8,321,000 and HK$576,000, respectively, which was the same as the related gross contractual amount and the best estimate at acquisition date of the contractual cash flows expected to be collected.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

35. ACQUISITION OF A SUBSIDIARY *(Continued)*

Non-controlling interests

The non-controlling interests (40%) in Beijing Youkang recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Beijing Youkang and amounted to HK$3,405,000.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	17,242
Plus: non-controlling interest	1,362
Less: recnogised amount of net assets acquired	(3,405)
Goodwill arising on acquisition	15,199

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes

Net cash outflow on acquisition of Beijing Youkang:

	HK$'000
Cash consideration paid for capital contribution	2,186
Less: Cash and bank balance acquired	(555)
	1,631

Included in the Group's revenue and loss for the year are approximately HK$27,075,000 and HK$5,388,000 and respectively, attributed from Beijing Youkang since the acquisition date.

Had the acquisition been completed on 1 April 2021, revenue for the year of the Group would have been approximately HK$45,262,000, and loss for the year of the Group would have been approximately HK$4,799,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

36. CAPITAL COMMITMENT

	2022	2021
	HK$'000	*HK$'000*
Capital expenditure in respect of the establish of investment in associate contracted for but not provided in the consolidated financial statements	–	–

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 amount due to a director is unsecured, interest-free and repayable on demand.

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

(1) On 9 June 2022, the Company entered into the placing agreement with the placing agent for placing of the convertible bonds in the aggregate principal amount of up to HK$82,000,000 at the initial conversion price of HK$0.10 per conversion share on a best effort basis to not less than six independent investors. The convertible bonds shall bear an interest at the rate of 6% per annum and expire on the second anniversary of the date of issue of the convertible bonds. The placing is not yet completed as at date of this annual report and the long stop date of placing has been extended to 14 July 2022.

(2) On 10 June 2022, the Company proposed to conduct a consolidation (the "Share Consolidation") of the existing ordinary shares in the capital of the Company of par value of HK$0.10 each. Subject to the Share Consolidation being effective, the Company also proposed to change the board lot size for trading of the shares from 3,000 to 6,000. The Share Consolidation and change of the board lot size are not yet completed as at date of this annual report.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	Bank and other borrowings	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2020	3,130	–	3,130
Non-cash movements	(622)	–	(622)
Effective interest expenses incurred	224	–	224
Recognition of Interest expenses	–	70	70
Financing cash inflows	–	3,553	3,553
Financing cash outflows	(921)	(70)	(991)
As at 31 March 2021 and 1 April 2021	1,811	3,553	5,364
Effective interest expenses incurred	140	–	140
Recognition of Interest expenses	–	153	153
Financing cash inflows	–	14,064	14,064
Financing cash outflows	(1,101)	(153)	(1,254)
As at 31 March 2022	850	17,617	18,467

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 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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	–	87.75%	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
北京佑康建業醫療器械有限公司 Beijing Youkang Jianye Medical Equipment Co., Ltd. *(Note b)*	PRC	Registered capital	RMB25,000,000	–	60%	Distribution in medial equipment and consumables

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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:

	Beijing Youkang Jianye Medical Equipment Co., Ltd	Mageruizi (Wuhan) Medical Technology Development Co., Ltd	
	2022	**2022**	2021
	HK$'000	***HK$'000***	*HK$'000*
As at 31 March			
Non-current assets	**43**	**808**	1,030
Current assets	**31,424**	**32,694**	39,071
Current liabilities	**(22,516)**	**(17,395)**	(29,596)
Net assets	**8,951**	**16,107**	10,505
Carrying amount of NCI	**3,580**	**1,974**	4,947
Year ended 31 March			
Revenue	**27,285**	**58,250**	68,579
Expenses	**(21,895)**	**(53,195)**	(66,160)
Profit for the year	**5,390**	**5,055**	2,419
Profit attributable to NCI	**2,155**	**936**	1,185
Net cash flow (used in)/generated from			
Operating activities	**(1,787)**	**1,188**	(3,093)
Investing activities	**(35)**	**–**	(896)
Financing activities	**4,411**	**27,027**	3,483
Total comprehensive income to NCI	**2,218**	**965**	

Financial Summary

	Year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**107,025**	87,889	45,160	32,183	24,247
Loss before tax	**(8,709)**	(5,331)	(34,340)	(19,925)	(36,716)
Income tax expense	**(405)**	(1,228)	(1,435)	(3,088)	(2,530)
Loss for the year	**(9,114)**	(6,559)	(35,775)	(23,013)	(39,246)
Attributable to:					
Owners of the Company	**(12,205)**	(7,744)	(36,679)	(23,081)	(39,246)
Non-controlling interests	**3,091**	1,185	904	68	–
	(9,114)	(6,559)	(35,775)	23,013	(39,246)

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**225,957**	217,818	196,831	215,241	225,281
Total liabilities	**(140,825)**	(117,832)	(96,097)	(83,196)	(64,221)
Net assets	**85,132**	99,986	100,734	132,045	161,060