



# China Health Group Limited 中國衛生集團有限公司

*(Carrying on business in Hong Kong as CHG HS Limited)*

*(Incorporated in Bermuda with limited liability)*

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

# 2023

## ANNUAL REPORT



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## Corporate Information

### DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Zhang Fan  
Mr. Chung Ho

#### NON-EXECUTIVE DIRECTORS

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

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond

### REGISTERED OFFICE

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2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong

### PRINCIPAL BANKER

The Bank of East Asia Limited  
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Hong Kong

### AUDITORS

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

### LEGAL ADVISER

Jones Day  
31st Floor  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor  
North Ceder House  
41 Ceder Avenue  
Hamilton HM 12  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### 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 Group has strengthened its existing business, optimized its product mix, developed new customers and new products, and seek positioning of new business growth to ensure that its annual operations stop falling and stabilize during the year. In addition to the existing medical services, medical equipment and consumables distribution business, the Company also strongly entered in the field of pharmaceutical circulation and distribution through acquisitions and cooperation with well-known domestic distribution platforms, which has further expanded the Company's business scope and is expected to become the profit growth point of the Company in the future.

As the COVID-19 pandemic ends and economic activities gain rapid recovery, the data indicates that the big health industry remains the fastest-recovering area in the economic rebound, and enjoys the most favourable policy support at the national level, providing enormous opportunities for the sustainable development of related industries. The Company will seize the development opportunity of the industry to expand the existing three major business segments, while focusing on building the Company into a selective platform in the field of pharmaceutical circulation, so that more high-quality products are enabled to access to more than 100,000 chain pharmacies across the country through such platform, and bring benefits to consumers and the public.

With great efforts in the big health industry over the years, the Company has formed a momentum of substantial growth building on accumulated strength. Looking forward, major breakthroughs will be made in the business scale and profitability of the Company, and it is expected to bring satisfactory returns to the shareholders and investors.

**Zhang Fan**  
*Chairman*

30 June 2023

# Management Discussion and Analysis

## RESULTS REVIEW

For the year ended 31 March 2023, the Group reported revenue of approximately HK\$76.4 million, representing a decrease of 29% as compared to HK\$107 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK\$54.2 million (2022: HK\$88.9 million); (b) income from hospital operation and management of approximately HK\$21.2 million (2022: HK\$18 million); and (c) service fee income from business factoring of approximately HK\$1 million (2022: HK\$0.1 million). For the year ended 31 March 2023, the Group reported gross profit of approximately HK\$27.2 million, representing a decrease of 5% as compared to HK\$28.7 million for the previous year.

For the year ended 31 March 2023, there was impairment loss on loan and interest receivables of approximately HK\$4 million (2022: HK\$2.4 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 2023, the probability of default applied was 20.1% (2022: 7.29%) and the loss given default rate was estimated to be 61.53% (2022: 61.7%).

The Group’s loss attributable to shareholders for the year was approximately HK\$42 million as compared to a net loss of approximately HK\$12.2 million for the previous year. The increase in net loss was mainly attributable to the loss on fair value change of contingent consideration of approximately HK\$17.7 million (2022: gain of approximately HK\$4.8 million) arising from issue of consideration shares in respect of acquisition of a subsidiary of the Company during the year. Basic loss per share for the year was HK\$9.86 cents (2022: HK\$2.96 cents).

## REVIEW OF BUSINESS OPERATION

For the year ended 31 March 2023, 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 service.

### (a) Medical equipment and consumables distribution and service business

During the year, the Group recorded revenue of approximately HK\$54.2 million (2022: HK\$88.9 million), representing a decrease of 39% as compared with the previous year. The operating profit was approximately HK\$5.4 million (2022: HK\$8.5 million) during the year.

## Management Discussion and Analysis

The Group operated the medical equipment and consumables distribution and service business through its subsidiaries, namely 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”) based in Wuhan, the PRC and 北京佑康健業醫療器械有限公司 (Beijing Youkang Jianye Medical Equipment Co., Ltd.) (“Beijing Youkang”) based in Beijing, the PRC. As a result of the COVID-19 epidemic spreading and the tightening of control policies in the PRC in the first half of the year, the Group’s medical equipment and consumables distribution business was significantly affected, a significant decline was recorded in the revenue of Mageruizi Wuhan thus incurring operating loss, while the revenue growth of Beijing Youkang slowed down. In the second half of the year, the Group has further strengthened its existing business, optimized its product mix, developed new customers and new products, and seek positioning of new business growth. In particular, Beijing Youkang has already won several successful bidding projects and strengthened marketing services for pet vaccines, so as to ensure that its annual operations stop falling and stabilise.

### (b) Hospital operation and management services business

#### Anping Kangrong Hospital Company Limited and Anping Bo’ai Hospital

安平博愛醫院 (“Anping Bo’ai Hospital”) was 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\$21.2 million (2022: HK\$18 million) and operating loss of approximately HK\$0.5 million (2022: HK\$2.5 million) during the year.

## Management Discussion and Analysis

### 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. 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.

Further details of the above has been disclosed in the announcement dated 30 April 2021. As at date of this report, approximately RMB38.7 million (approximately HK\$44.2 million) has been received by the Group under the Settlement Agreement.

## Management Discussion and Analysis

### (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 that the PRC and Hong Kong had finally emerged from the COVID-19 pandemic. The three-year pandemic has brought profound changes to the social and economic development of the PRC and Hong Kong. Entering the post-pandemic era, all walks of life have begun to recover and return to normal. The medical and healthcare industry in the PRC remains the leader in all industries. As the urbanization expands and the population ages, the medical and healthcare industry will maintain a diversified and sustained growth, with huge development potential. This has created favorable conditions for the Group to expand new business areas.

In retrospect of the past few years, in particular the current year, the Group's businesses have been adversely affected by the COVID-19 pandemic. The Group's overall operations stopped falling and stabilised, by overcoming various difficulties with the joint efforts of all its employees. For the medical equipment and consumables distribution and service business, efforts have been made to further integrate customer resources and broaden product offerings. During the year, one of the subsidiaries of the Group was authorised to participate in the marketing and promotion of rabies vaccines in Beijing, with smooth progress of relevant business. Meanwhile, in response to changes in the market, the Group has adjusted its development strategy in a timely manner, and actively sought new development opportunities. The Group has successfully completed the acquisition of 武漢明誠旺達醫藥有限公司 (Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd., "Wuhan Mingcheng Wangda"), which is principally engaged in distribution and marketing of pharmaceutical products in the PRC, in June 2023. Through the acquisition, the Group not only secured the exclusive distribution agency rights to a series of ophthalmic products in mainland China, but more importantly, gained a comprehensive medicine distribution platform targeting chain drugstores across the country, as well as a marketing team with extensive market experience. This is a major expansion achieved by the Group on the basis of the existing medical equipment and consumables distribution and service business, marking a milestone.



## Management Discussion and Analysis

In coming years, the Group will devote its resources to conduct integration in three aspects through Wuhan Mingcheng Wangda: first, further expansion of distribution channels in East China, South China and North China, to build a distribution platform targeting chain pharmacies across the country; second, further development of new distribution products by selecting superior products from medicines, health products and healthcare products, to rapidly improve the coverage rate and market share of products, thus forming the key distribution products of the Group; and third, selection of products with established conditions for the merger and acquisitions and integration of upstream production and research and development (R&D), to form the own products of the Group, thus achieving the integration of R&D, production and distribution. The board of directors believes that through years of efforts and accumulation, the Group has gradually established a platform operating model that is market-oriented, distribution-led, and supported by production and research. By giving full play to the advantages of such model, the Group will be able to achieve leapfrog development in the near future and create maximum value for shareholders.

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

#### (i) 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夥企業 (有限合夥) (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 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”). 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 report, capital of RMB15 million (approximately HK\$17.1 million) has been paid by Zhongwei Health. Further details of the above has been disclosed in the announcements of the Company dated 5 July 2021 and 26 July 2021.

### (ii) Investment in Trillion Silver Limited

On 8 September 2022, Long Heng Investments Limited, a wholly owned subsidiary of the Company, has entered into the subscription agreement in respect of (i) subscription of 2,000 shares in Trillion Silver Limited, which is principally engaged in the investment in the research, development, and manufacture of healthcare products, including rapid test kits for monkeypox virus, for a consideration of HK\$4 million, and (ii) the provision of a loan of HK\$2 million which bears interest of 6% per annum and will expire one year from the drawdown date. Upon completion of the subscription, the Group will hold 20% of the enlarged issued share capital of Trillion Silver Limited. The subscription has been completed in September 2022.

### (iii) Acquisition of 51% equity interest in Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd.

On 2 December 2022, the Company and Wuhan Mingcheng Wangda have entered into a cooperation framework agreement, pursuant to which the Company and Wuhan Mingcheng Wangda intend to have close cooperation in various ways for distributing medical one health products. Wuhan Mingcheng Wangda's business scope covers western medicine, traditional Chinese medicine, healthcare products, medical devices, medical equipment, medical testing, consumer health products, animal healthcare, raw materials for characteristic traditional Chinese medicine and health technology, and provision of integrated services such as procurement, marketing, logistics, distribution, Internet and entity expansion. Further details of the above has been disclosed in the announcement of the Company dated 2 December 2022.

On 6 February 2023, the Company, Long Heng Investments Limited (a direct and wholly-owned subsidiary of the Company as the purchaser), three vendors, namely Double Bliss Investments Limited, Mr. Zhou Wang and Alpha Success International Limited and two vendor guarantors entered into the sales and purchase agreement (the "Agreement") for acquisition of 51% equity interest in Golden Alliance Limited, which is principally engaged in distribution and marketing of pharmaceutical products in the PRC through its indirectly wholly owned subsidiary (i.e. Wuhan Mingcheng Wangda), at the consideration of HK\$153,000,000, which shall be satisfied by (i) the issue of the promissory notes in the aggregate amount of HK\$47,125,000 on the date of completion of acquisition; and (ii) the allotment and issue of up to 87,500,000 shares at the issue price of HK\$1.21 per share after the issue of audited financial statements of the target group for the year ending 31 March 2024 and 2025 pursuant to the Hong Kong Financial Reporting Standards (HKFRS) subject to the profit guarantee adjustments stated in the Agreement. The acquisition was completed on 16 June 2023. Further details of the above has been disclosed in the announcements of the Company dated 6 February 2023, 26 April 2023, 31 May 2023 and 16 June 2023.

## Management Discussion and Analysis

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

### SIGNIFICANT INVESTMENT

The Group had no significant investment of carrying value of 5% or more of the total assets as at 31 March 2023 (2022: nil).

### SHARE CONSOLIDATION

On 10 June 2022, the Company proposed to conduct a consolidation (the “Share Consolidation”) of every ten (10) issued and unissued existing shares into one (1) consolidated share. 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 board lot size have become effective on 8 August 2022. Details of the above were disclosed in the announcements of the Company dated 10 June 2022, 16 June 2022, 4 August 2022 and 5 August 2022 and the circular of the Company dated 4 July 2022.

### FUND RAISING ACTIVITY

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. 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 been completed on 5 August 2022 and the convertible bonds with an aggregate principal amount of HK\$40,000,000, which can be converted into 400,000,000 conversion shares at the initial conversion price of HK\$0.10, have been successfully placed to not less than six places.

Upon the Share Consolidation becomes effective on 8 August 2022, the conversion price adjusted from HK\$0.10 to HK\$1.00, and the number of conversion shares has been adjusted from 400,000,000 to 40,000,000 consolidated shares. The convertible bonds have been fully converted and 40,000,000 consolidated shares were allotted and issued upon conversion of the convertible bonds on 16 March 2023.

The gross proceeds and the net proceeds of the placing were HK\$40,000,000 and approximately HK\$38,800,000 respectively. The expected timeline for utilization of the net proceeds are as follows: (i) HK\$13,800,000 as the general working capital of the Company to be utilised by 30 June 2023; and (ii) HK\$25,000,000 as reserve for possible business development and investment of the Group to be utilised by 30 June 2023. Further details of the placing were disclosed in the announcements of the Company dated 9 June 2022, 16 June 2022, 30 June 2022, 14 July 2022, 26 July 2022 and 5 August 2022. As at the date of this report, approximately HK\$13.8 million has been used as general working capital of the Company and HK\$16.5 million has been used as business development and investment of the Group. Net proceeds of approximately HK\$8.5 million were not yet utilised.

# Management Discussion and Analysis

Save as disclosed above, there was no unutilised proceeds brought forward from any issue of equity securities made in previous years.

## LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow and placing of convertible bonds as mentioned above during the year. As at 31 March 2023, the Group's cash and cash equivalents amounted to approximately HK\$11.5 million (2022: HK\$8.5 million). As at 31 March 2023, the current assets and net current assets of the Group are approximately HK\$142.1 million (2022: HK\$137.7 million) and HK\$14.9 million (2022: HK\$0.8 million) respectively, representing a current ratio of 1.12 (2022: 1.0).

As at 31 March 2023, a dividend payable on redeemable convertible cumulative preference shares in the sum of US\$4 million (equivalent to approximately HK\$31.4 million) (2022: 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 2023, the Group has certain bank loans, which were denominated in Renminbi, amounting to approximately RMB5 million (2022: RMB6.5 million) (approximately HK\$5.7 million) (2022: HK\$8.1 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, which was denominated in Hong Kong dollars, interest bearing at 6% per annum and repayable on 30 September 2022. The loan has been fully repaid during the year. There was no other borrowing as at 31 March 2023.

As at 31 March 2023, the gearing ratio was 0.43 (2022: 0.61), calculated by dividing dividend payable on redeemable convertible cumulative preference shares of approximately HK\$31.4 million (2022: HK\$30.9 million) and bank and other borrowings of approximately HK\$5.7 million (2022: HK\$17.6 million) (representing debts owed by the Company) by shareholders' equity of approximately HK\$86.3 million (2022: HK\$79.6 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.

## CONTINGENT LIABILITIES

As at 31 March 2023, there were no material contingent liabilities of the Group (2022: nil).

# Management Discussion and Analysis

## CHARGE ON GROUP'S ASSETS

As at 31 March 2023, there were no charge on the Group's assets (2022: nil).

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed 137 employees (2022: 122). The total staff cost including Directors' emoluments and share based payment of approximately HK\$0.02 million (2022: HK\$0.8 million) was approximately HK\$10.2 million as compared to approximately HK\$11.2 million for the previous period. The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the 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 during the year. 41,650,000 share options were lapsed and 182,700,000 share options were cancelled upon the Share Consolidation becoming effective during the year. There were 19,050,000 outstanding share options as at 31 March 2023.

## Biographical Details of Directors and Senior Management

### EXECUTIVE DIRECTORS

**Mr. Zhang Fan**, aged 58, 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 60, 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 28 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 66, 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, Cheng Du Qing Cheng Mt. 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", "Health 4.0 Smart Hospital Management Model" and "Health 4.0 Smart Service-Practical Exploration".

## 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.

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 58, 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 42, 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 and auditing director and the chairman of the supervisory board 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 55, 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 57, 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 47, 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 financial officer of Kimou Environmental Holding Limited (a company listed on the Hong Kong Stock Exchange Limited (the "Stock Exchange"), stock code: 6805). Mr. Lai has been engaged in finance industry for 19 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. Li Jianxin**, aged 56, is the executive vice president of the Group and the chairman of Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd. He joined the Group in June 2023. Mr. Li holds a bachelor degree of accounting and auditing from Wuhan University. He once engaged in the leadership and management roles in 海南經濟特區發展總公司 (Wuhan Municipal Science and Technology Commission, Hainan Special Economic Zone Development Corporation), 中國三峽經濟開發總公司 (China Three Gorges Economic Development Corporation) and Changjiang Property & Casualty Insurance Co., Ltd. He has extensive practical experience in corporate management and operation. Mr. Li was also the executive director and general manager of 方順恒瑞(北京)能源諮詢有限公司 (Fangshun Hengrui (Beijing) Energy Consulting Co., Ltd.), and the director of 武漢方順天宏企業管理集團有限公司 (Wuhan Fangshun Tianhong Enterprise Management Group Co., Ltd.).

**Mr. Zhou Wang**, aged 38, is the executive vice president of the Group and the president of Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd. He joined the Group in June 2023. Mr. Zhou holds a MBA degree from Wuhan University. From 2007 to 2020, he successively worked in Fortune 500 foreign pharmaceutical companies, such as SK&F, Schering-Plough, MSD and Bayer, and a domestic listed pharmaceutical company, Yabao Pharmaceutical, where he served as a district manager, a regional manager and a director. Mr. Zhou has managed pharmacy chain channels, hospital channels and commercial channels, and mastered the big sales data of 300,000 chain pharmacies across the country, the customer information of top hospitals in various cities, and the resources of national key commercial customers. He is also responsible for the operation of products including vitamins, functional foods, traditional Chinese and Western medicines, medical devices, detection reagents, etc. Mr. Zhou has been engaged in his own business for 7 years, and has founded a pharmacy chain brand, a health management company, a medical management company, a technology company and a cultural media corporation.

## Biographical Details of Directors and Senior Management

**Mr. Tan Ying**, aged 56, is the senior consultant of the Company. He joined the Group in February 2023. He obtained a MBA degree from University of Manchester. Mr. Tan was the chief financial officer and secretary of the Board and vice-president of overseas sales in emerging market of NVC International Holdings Limited (a company listed on the Stock Exchange, stock code: 2222). Mr. TAN was the financial accountant in Goodman Fielder Ingredients Limited from 1999 to 2000 and the chief financial officer in 深圳新世界翔龍網絡技術有限公司 (Shenzhen New World Sunlong Tech Co., Ltd.) and 深圳市翔龍通訊有限公司 (Shenzhen Sun Long Communication Co., Ltd.) from 2000 to 2006. He is a fellow member of the Financial Service Institute of Australia.

**Mr. Tsui Siu Hung Raymond**, aged 46, is the company secretary of the Company. He joined the Group in June 2006. Mr. Tsui obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in Hong Kong, in July 1999. His major subject was professional accountancy. He was admitted as a fellow member of the Association of the Chartered Certified Accountants in March 2008 and a fellow member of the HKICPA in June 2010. Mr. Tsui has been one of the partners of Tsui & Partners CPA Limited, a registered firm of certified public accountants (practising) in Hong Kong since March 2014, and currently the company secretary of the following companies listed on the Stock Exchange and the GEM of the Stock Exchange: Vongroup Limited (Stock Code: 318) since February 2010, Guru Online (Holdings) Limited (Stock Code: 8121) since May 2015 and Ocean One Holding Limited (Stock Code: 8476) since May 2017.

## 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 2023.

### 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 12.

### 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 Stock Exchange. 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 2023.

### 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 2023 and the state of affairs at the date are set out in the consolidated financial statements on pages 66 to 155.

The directors do not recommend the payment of any dividend for the year ended 31 March 2023 (2022: 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 70 and 71.

### DISTRIBUTABLE RESERVES

As at 31 March 2023, 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

#### Independent non-executive Directors

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

The biographical details of the Directors and senior management of the Group are set out on pages 13 and 17 of this annual report.

## Report of the Directors

In accordance with the Company's Bye-law 87, Mr. Zhang Fan, Mr. Wang Jingming and Mr. Xing Yong 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 2023, 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 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 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	117,307,400(L)	800,000	118,107,400(L)	24.66%
Mr. Chung Ho (Note 2)	Beneficial owner	–	3,000,000(L)	3,000,000(L)	0.63%
Mr. Wang Jingming (Note 3)	Beneficial owner	2,340,600(L)	300,000(L)	2,640,600(L)	0.55%
Mr. Xing Yong (Note 3)	Beneficial owner	139,800(L)	3,400,000(L)	3,539,800(L)	0.74%
Mr. Huang Lianhai (Note 3)	Beneficial owner	–	2,300,000(L)	2,300,000(L)	0.48%
Mr. Jiang Xuejun (Note 4)	Beneficial owner	–	800,000(L)	800,000(L)	0.17%
Mr. Du Yanhua (Note 4)	Beneficial owner	–	300,000(L)	300,000(L)	0.06%
Mr. Lai Liangquan (Note 4)	Beneficial owner	–	300,000(L)	300,000(L)	0.06%

Remark: (L): Long position

## Report of the Directors

*Notes:*

1. Mr. Zhang Fan is interested in 1,307,400 shares through personal interest and 116,000,000 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 2023, 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 2023
Treasure Wagon Limited (Note 1)	Beneficial owner	116,000,000 (L)	–	116,000,000 (L)	24.22%
Speedy Brilliant Investments Limited (Note 2)	Beneficial owner	27,651,000 (L)	–	27,651,000 (L)	5.77%
Mr. Zhou Disun (Note 2)	Through corporate interest	27,651,000 (L)	–	27,651,000 (L)	5.77%

*Remark: (L): Long position*

**Notes:**

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

## Report of the Directors

### SHARE OPTION SCHEME

The Company operated a share option scheme which was expired on 27 August 2022. Details of the Company's share option scheme are set out in note 34 to the consolidated financial statements. There was no change in any terms of the share option scheme during the year.

The total number of securities available for issue under the share option scheme of the Company as at 31 March 2023 was 19,050,000 shares (representing share options for 19,050,000 shares that have been granted but not yet lapsed or exercised) which represented 3.98% of the ordinary shares of the company in issue on 31 March 2023.

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 2022	Number of share options					As at 31 March 2023	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\$
		Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/forfeited during the year	Reclassified during the year					
Directors											
Mr. Zhang Fan	4,000,000	-	-	(3,600,000)	-	-	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	4,000,000	-	-	(3,600,000)	-	-	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Chung Ho	30,000,000	-	-	(27,000,000)	-	-	3,000,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Wang Jingming	3,000,000	-	-	(2,700,000)	-	-	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79

## Report of the Directors

Name or category of participant	At 1 April 2022	Number of share options					As at 31 March 2023	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\$
		Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/forfeited during the year	Reclassified during the year					
Mr. Xing Yong	4,000,000	-	-	(3,600,000)	-	-	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	30,000,000	-	-	(27,000,000)	-	-	3,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Huang Lianhai	3,000,000	-	-	(2,700,000)	-	-	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	20,000,000	-	-	(18,000,000)	-	-	2,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Jiang Xuejun	4,000,000	-	-	(3,600,000)	-	-	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	4,000,000	-	-	(3,600,000)	-	-	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Du Yanhua	3,000,000	-	-	(2,700,000)	-	-	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79

## Report of the Directors

Name or category of participant	At 1 April 2022	Number of share options					As at 31 March 2023	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\$
		Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/forfeited during the year	Reclassified during the year					
Mr. Lai Liangquan	3,000,000	-	-	(2,700,000)	-	-	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Director of the subsidiaries of the Company											
Ms. Tang Wenji	1,000,000	-	-	(900,000)	(100,000)	-	-	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Subtotal	113,000,000	-	-	(101,700,000)	(100,000)	-	11,200,000				
Employees	20,800,000	-	-	-	(20,800,000)	-	-	19 May 2017 to 18 May 2022	0.18	19 May 2017	0.165
	6,500,000	-	-	(5,850,000)	-	-	650,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	12,500,000	-	-	(11,250,000)	(1,150,000)	-	100,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35

## Report of the Directors

Name or category of participant	At 1 April 2022	Number of share options					As at 31 March 2023	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\$
		Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/forfeited during the year	Reclassified during the year					
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	-	-	(7,200,000)	-	-	800,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	63,000,000	-	-	(56,700,000)	-	-	6,300,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
<b>Total</b>	<b>243,400,000</b>	<b>-</b>	<b>-</b>	<b>(182,700,000)</b>	<b>(41,650,000)</b>	<b>-</b>	<b>19,050,000</b>				

## Report of the Directors

*Note 1:* Share options were granted to 14 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, 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 expenses amounted to approximately HK\$23,000 (2022: HK\$773,000) comprising of (i) HK\$13,700 (2022: HK\$592,000) in respect of the Directors; (ii) HK\$1,600 (2022: HK\$11,000) in respect of the directors of the subsidiaries of the Company; (iii) HK\$1,000 (2022: HK\$84,000) in respect of the employees of the Group; and (iv) HK\$6,700 (2022: 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 156 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 16% and 40%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 8% and 26%, 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 37 to these financial statements.

### CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held in September 2023. 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 2023

# Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2023.

## CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

The Board nourishes the Company's culture and strives to promote the desired culture at the Company, and ensures it aligns with the Company's purpose, values and strategy. The Board has the responsibility for managing the Company, which includes formulating a corporate strategy and a long term business model, directing and supervising the Company's affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

## CORPORATE GOVERNANCE CODE

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders. During the year ended 31 March 2023, the Company has applied the principles in the Corporate Governance Code (the "Code") as stated in Appendix 14 to the Listing Rules. The corporate governance principles of the Company put an emphasis on an effective Board with a high level of integrity, sound internal controls, and a high degree of transparency and accountability, which enhances corporate value for shareholders and protects the long-term sustainability of the Group and thereby achieving sustainable business growth and generating values over the longer term and the strategy for delivering the Group's objective.

In the opinion of the Board, the Company has complied with the applicable code provisions set out in the Code throughout the year ended 31 March 2023 except for certain deviations disclosed herein.



# Corporate Governance Report

## 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 principally accountable to the consolidated financial statements and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the management.

The Board have a balance of skills and experience appropriate to the requirements of the business of the Company. The Board currently comprises nine members, including two executive Directors, namely Mr. Zhang Fan and Mr. Chung Ho, three non-executive Directors, namely Mr. Wang Jingming, Mr. Xing Yong and Mr. Huang Lianhai, and three independent non-executive Directors, namely Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Liangquan. The balanced composition of executive, non-executive and independent non-executive members upholds the effective exercise of independent judgement.

The biographical details of the Directors are set out on pages 13 to 17 of this report.

The Board meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the management for the day-to-day management of the Group's operation.

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

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.

## Corporate Governance Report

### 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*
<b>Executive Directors</b>					
Mr. Zhang Fan ( <i>Chairman</i> )	5/5	N/A	N/A	1/1	2/2
Mr. Chung Ho	5/5	N/A	N/A	N/A	2/2
<b>Non-executive Directors</b>					
Mr. Xing Yong	5/5	N/A	N/A	N/A	2/2
Mr. Huang Lianhai	5/5	N/A	N/A	N/A	0/2
Mr. Wang Jingming	3/5	N/A	N/A	N/A	1/2
<b>Independent non-executive Directors</b>					
Mr. Jiang Xuejun	5/5	2/2	1/1	1/1	2/2
Mr. Du Yanhua	5/5	2/2	1/1	1/1	2/2
Mr. Lai Lianguan	5/5	2/2	1/1	1/1	2/2

\* Being the special general meeting held on 4 August 2022 and the annual general meeting held on 30 September 2022.

### ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C2.1 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.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

In order to ensure the independence of the policymaking process of the Board and protect the interest of its shareholders, the Company appoints three qualified independent non-executive Directors, as such, the Company complies with Rule 3.10A of the Listing Rules of having at least one-third of the Board being represented by independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2).

The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

# Corporate Governance Report

## BOARD INDEPENDENCE EVALUATION

The Board has established mechanisms to ensure independent views are available to the Board in the Company's director nomination policy and board diversity policy. The respective policies are available on the Company's website and a summary of the mechanism is set out below:

### Composition

The Board shall ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

### Independence Assessment

The nomination committee shall adhere to the director nomination policy with regard to the nomination and appointment of independent non-executive Directors. The independent non-executive Director candidate must satisfy the independence requirements under Rule 3.13 of the Listing Rules. Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may materially affect his or her independence and provide an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules.

### Channel for Communication

The Company is committed to ensuring that the independent non-executive Directors will be given the opportunity and channel for Directors to communicate and express their independent views and inputs to the Board and its committees. The Company has established channels through formal and informal means whereby independent non-executive Directors can express their views in an open, candid as well as confidential manner, should circumstances require, these include meetings with the Chairman of the Company without the presence of the other Directors to discuss major issues and any concerns, and dedicated meeting sessions with the Chairman of the Company and interaction with management and other Board members including the Chairman of the Company outside the boardroom.

## BOARD DIVERSITY

The Company has adopted a board diversity policy ("Board Diversity Policy") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximize the Board's effectiveness. The Company sees diversity as a wide concept and believe that a diversity of perspectives can be achieved through consideration of a number of factors, including skills, regional and industry experience, background, gender and other qualities etc. In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. The decision of the appointment will be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

## Corporate Governance Report

The board diversity policy sets out a clear objective and provides that the Company should endeavour to ensure that members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy in order for the Board to be effective. The current Board is a well mix of knowledge and experience as the Directors have backgrounds in the medical industry, enterprise management, corporate finance, accounting and law. The Company is conscious of maintaining a Board made up with independent non-executive Directors as the majority, together with an appropriate level of female members on the Board. Although the Board is currently of a single gender, the Company endeavours to achieve gender diversity with 25% of the Board comprising female member(s) by the end of 2024. While conscious efforts are being taken by the Company to fulfil its pledges, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The nomination committee will review the implementation of the board diversity policy at least annually and make recommendation on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness.

Set out below is an analysis of the composition of the Board by gender, designation, age group, length of service, external directorship and independence. Please also refer to the paragraph headed "Employee Care" in the Environmental, Social and Governance Report for an analysis of the gender and age group ratio in our workforce.

Gender	Male (8) Female (0)
Designation	Executive Director (2) Non-executive Directors (3) Independent Non-executive Directors (3)
Age group	40-44 (1) 45-49 (1) 50-54 (0) 55-59 (4) 60-64 (1) 65-69 (1)
Length of service as Board member (Years)	0-3 (0) 4-7 (5) 8-11 (3)
External directorships (Number of listed companies)	0 (8) 1-2 (0)
Independence	3 Independent Non-executive Directors

The Board will use its best endeavours to appoint female Directors to the Board (keeping in mind the importance of management continuity and the timeline for retirement and re-election of Directors under the Articles) and the nomination committee will seek to identify and recommend suitable female candidates to the Board for its consideration on nomination of a Director. The Company will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that the Company will have a pipeline of female management and potential successors to the Board in due time to ensure gender diversity of the Board. The Group will continue to emphasize training of female talent and provide long-term development opportunities for female staff in the medical industry.

# Corporate Governance Report

## REMUNERATION COMMITTEE

The Company established its remuneration committee with specific written terms of reference which are in line with the code provisions set out in the Code. 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. The terms of reference of the remuneration committee are disclosed on the websites of the Company and the Stock Exchange. 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 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.

## NOMINATION COMMITTEE

The nomination committee was established with written terms of reference to (i) review and recommend the structure, size, composition and skills mix of the Board at least annually; (ii) identify and nominate candidates to fill casual vacancies of Directors for the Board's approval; (iii) assess the independence of independent non-executive Directors; (iv) regularly review the time required from a Director to perform his responsibilities; (v) make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive and also to maintain gender diversity on the Board. 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 of the Company 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.

# Corporate Governance Report

## AUDITOR'S REMUNERATION

The Company's external auditors are Messrs. Elite Partners CPA Limited. For the year ended 31 March 2023, the external auditor's remuneration for audit services was HK\$880,000.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 60 to 65 of this annual report.

## REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 March 2023 is set out below:

Remuneration bands	Number of persons
Up to HK\$1,000,000	4
HK\$1,000,001 and above	0

## AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference which are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for, among other matters, reviewing the reporting of annual and interim results and other information to the shareholders, the effectiveness and objectivity of the audit process, the risk management and internal control systems of the Company and the Company's policy and practices on corporate governance. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors. The terms of reference of the Audit Committee are disclosed on the websites of the Company and the Stock Exchange.

The Audit Committee is also responsible for performing the functions set out in the provision D.3 of the Code. The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual (if any) applicable to employees and Directors, the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

## Corporate Governance Report

During the year, the Audit Committee held two meetings and reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group, discussed auditing, internal control, risk management and financial reporting matters including the annual results for the year ended 31 March 2022 and interim results for the six months ended 30 September 2022 and reviewed the Company's compliance with the Code.

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.

### 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 2023, 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 2023.

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.

## Corporate Governance Report

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.

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 2022 to 31 March 2023. 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 waiver 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.



# Corporate Governance Report

## COMPANY SECRETARY

During the year ended 31 March 2023, 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

Pursuant to code provision C.1.4 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction at time around the first occasion of their appointment, so as to ensure that their appropriate understanding of the group structure, the Board and the Board committee meetings procedures, business, management and operations of the Group, etc. and that they are fully aware of their responsibilities and obligations under the Listing Rules and applicable regulatory requirements.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company’s expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, 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 relating to the economy, general business, corporate governance and directors’ duties and responsibilities during the year.

## INSURANCE COVER

Pursuant to the code provision C1.8 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.

# Corporate Governance Report

## 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.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

The annual general meeting provides opportunity for the shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company or, in their absence, other members of the respective committees, will attend the annual general meeting to answer shareholders' questions. The auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

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.

The shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The shareholders may at any time make a request for the Company's information to the extent that such information is publicly available.

## ANTI-CORRUPTION

A summary of the anti-corruption and whistle-blowing policy is set out below.

### Anti-Corruption Policy

All employees are required to adhere to the anti-corruption policy. The Group believes in fairness and honesty in business dealings. Without the prior consent of the Audit Committee, no employee and/or their family member(s) should accept from any person, firm, company or organization which has dealings with the Group, either directly or indirectly any improper payments, rebate and other forms of bribery, facilitation payments as well as gifts and hospitality. Employees should exercise good judgment and report to the Audit Committee and/or the Board any actual or suspected breaches of this policy.

# Corporate Governance Report

## Whistle-Blowing Policy

The whistle-blowing policy applies to any suspected improprieties involving employees as well as consultants, vendors, contractors, suppliers, customers, and/or any other parties with a business relationship with the Group, and the whistle-blowing mechanism is designed to enable employees and third parties dealing with the Group to express their concerns and to disclose information which the whistle-blower believes to be an indicator of malpractice or impropriety. If an employee or a third party dealing with the Group becomes aware of any actual or suspected fraud, malpractice, misconduct, impropriety or irregularity, he/she is encouraged to report such incident(s) directly to any member of the Audit Committee, who will investigate the case and determine an appropriate course of action in response (including but not limited to referring the case to the Board and/or the management of the Company).

## CONSTITUTIONAL DOCUMENTS

The Company proposes to amend the existing Bye-laws by adopting a new set of Bye-laws to (i) bring the existing Bye-laws in line with the amendments made to the Listing Rules; (ii) allow the Company the flexibility to hold general meetings as hybrid meetings where shareholders may participate by means of electronic facilities in addition to physical attendance; (iii) update and modernize the Bye-laws to reflect the statutory changes following the commencement of Companies Ordinance (Cap. 622 of the Laws of Hong Kong) since March 2014; (iv) and incorporate certain housekeeping changes, which shall and is expected to be approved by way of special resolution in the upcoming annual general meeting. Details of the proposed amendments will be set out in the circular of the Company which will be despatched to shareholders of the Company in due course.

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

This Environmental, Social and Governance (“ESG”) report is prepared in accordance with the Guidelines on ESG Reporting as stated in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). It aims to highlight the Group’s ESG performance and to help all stakeholders understand the Group’s ESG concepts and practices with a view to achieving future sustainable development.

### 1. Scope of this Report

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.;
- 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.

### 2. Reporting Standards and Principles

#### (1) Reporting Standards

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

## (2) 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 information in the Report, unless otherwise specified, to allow for meaningful comparisons.
- **Balance:** This Report should present the performance of the Company fairly and avoid selection, omission or presentation format that may unduly affect the decision or judgment of the readers of the report.

## 3. Statement of the Board and Contact Information

### (1) 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. By communicating with stakeholders, the Group understands their expectations and concerns, and the feedback provided enables the Group to make better informed decisions and to better assess and manage the impact.

## Environmental, Social and Governance Report

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

Hence, this can enhance the Company's 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.

### (2) Contact Information

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

## 4. Our Sustainable Development Value

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

### 5. Stakeholders Engagement

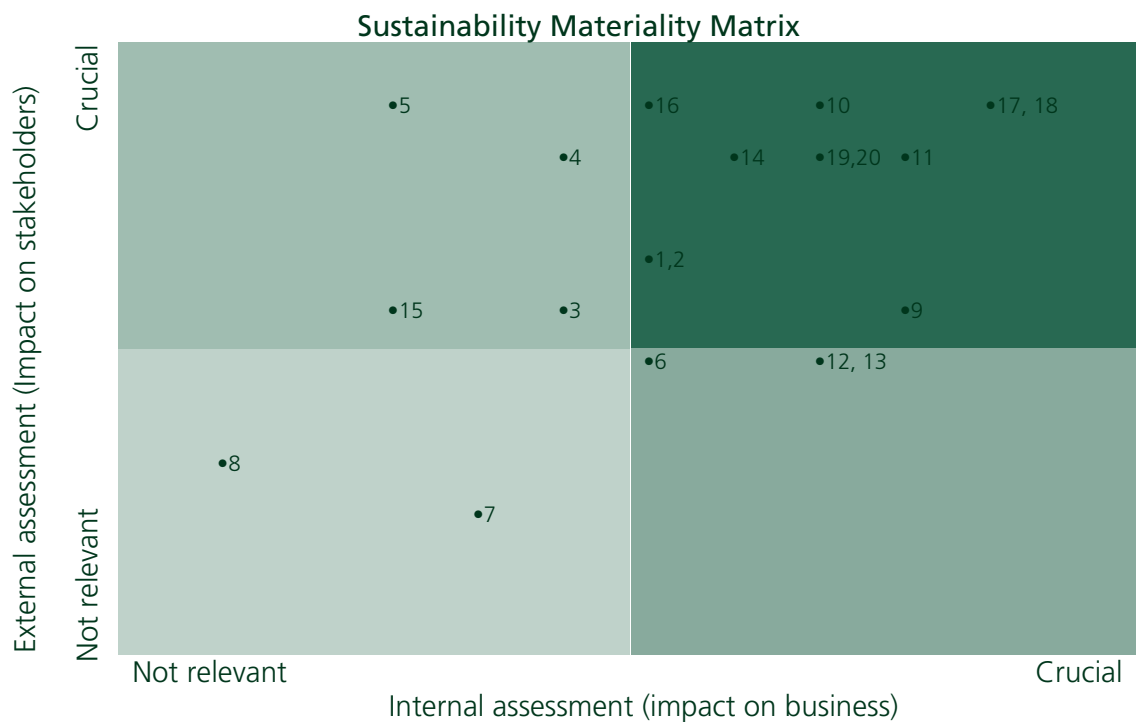
We value our stakeholders' feedback in regards to our businesses and ESG aspects. With the goal of strengthening the sustainability approach and performance of the Group, we put effort into maintaining close communication with our key stakeholders, including but not limited to government and regulatory 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 channel
Government and regulatory organisations	<ul style="list-style-type: none"> <li>• Compliance with applicable laws and regulations</li> <li>• Responsive for the government's latest policies and directives on healthcare</li> </ul>	<ul style="list-style-type: none"> <li>• Announcements and other regulatory reports</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Development direction</li> </ul>	<ul style="list-style-type: none"> <li>• HKEx website and corporate website</li> <li>• Annual and interim report</li> <li>• Regular' meetings</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Staff retention</li> <li>• Career progression and development</li> </ul>	<ul style="list-style-type: none"> <li>• Performance review</li> <li>• Orientation and training</li> <li>• Internal email</li> </ul>
Customer (Healthcare facilities)	<ul style="list-style-type: none"> <li>• Product and service quality</li> <li>• Business integrity</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate website</li> <li>• Communication meetings</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Stable and uninterrupted supply of quality medical consumables and medical equipment</li> <li>• Qualifications and licenses</li> <li>• Service support</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement process</li> <li>• Business communications</li> <li>• Engagement and cooperation</li> </ul>
Community	Improving the community's awareness of public health and safety	<ul style="list-style-type: none"> <li>• Industry events</li> <li>• Corporate social responsibility activities</li> </ul>

## Environmental, Social and Governance Report

### 6. 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. The assessment of materiality helps to ensure that the Group's business objectives and direction are aligned with the expectations and requirements of the stakeholders. 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 pay attention to the corresponding policies in order to pursue continuous improvement in its ESG performance.



#### Environmental issues

- Greenhouse gas emissions
- Energy consumption
- Water consumption
- Waste
- Environmental impact
- Air emissions
- Use of chemicals

#### Social issues

- Community engagement
- Occupational health and safety
- Labour Standards
- Training and development
- Employee welfare
- Equal opportunities
- Talent attraction and retention

#### Operational matters

- Economic value generated
- Corporate governance
- Anti-corruption
- Supply Chain Management
- Customer satisfaction
- Customer privacy



## Environmental, Social and Governance Report

### 7. Environmental protection

Sustainable development has become the common goal of mankind, the Group always sticks to the idea of establishing a green and environmentally sustainable enterprise.

We advocate the conservation of resources, rational use of water, electricity and other resources, and scientific disposal of various types of office waste generated in the course of our operations to minimize adverse environmental impact arising from production and operating activities.

In the future, we will strive to carry out environmental protection work, fulfill our firm commitment to environmental protection and contribute our own strength to environmental sustainable development.

#### (1) Emissions

##### *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 produces only a small amount of air pollutants and wastes. It mainly includes direct emissions from vehicles and indirect greenhouse gas emissions 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.

##### *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

## Environmental, Social and Governance Report

### *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.

### (2) Use of Resources

We attach great importance to environmental protection in order to establish green enterprises. We also attach great importance to the intensive and simplified use of resources, and advocate environmental office and travel, in order to greatly reduce the consumption of resources, thereby reducing the damage to the environment. 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 terms of electricity, before the end of the shift, the staff closed all electricity equipment, set the air conditioning on conditions and temperature standards, posted energy saving cue board to help employees improve environmental awareness. In addition, the Group is increasingly adopting inductive lighting to avoid unnecessary electricity consumption, the Group uses inductive lighting for its PRC locations to minimize electricity consumption, and our employees support the Group's energy saving initiatives.

On paper usage, we encourage employees to reduce paper usage through online job communication such as email, duplex printing when possible, and paper recycling.

In terms of water use, we post water saving tips and posters in toilets and handwashing facilities, strengthen the daily maintenance and management of water use equipment, and timely repair of damaged water supply pipelines and facilities.

The Group has declared green office concepts to reduce consumption of natural resources and environmental impact. For instance, offices are equipped with teleconferences, and internet-meeting practices are encouraged to avoid unnecessary travel.

## Environmental, Social and Governance Report

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;

The energy consumption in the recent two years is as follows:

Energy consumption	Unit	2023	2022
Electricity	kWh	487,987	407,894
Fuel	kWh	75,133	151,011
Energy consumption intensity	kWh/millions of revenue	7,369	5,222
Water	Tonne	2,775	3,160
Water consumption intensity	Tonne/millions of revenue	36	30

There was no hazardous and non-hazardous waste produced by the Group during the year.

### (3) Air Pollutants

Nitrogen oxides (“NOx”), sulfur oxides (“SOx”), and inhalable suspended particles (“RSPs”), also known as “PMs”, are the major air pollutants produced in the cities by vehicles, ships, power plants and mass plants that generally consume fossil fuels. Up to the reporting date, the Group has not engaged in the business activities of substantial use of fossil fuels. In the opinion of the directors of the Company, the Group’s emission of pollutants in this respect is limited and has no significant impact on the assessment and decision-making of the Group and/or the shareholders.

Automotive fuel is the major source of pollutant emissions, the management considers that the environmental impact from operating emissions is insignificant and has no significant impact on the assessment and decision-making of the Group and the shareholders.

Type	Unit	2023	2022
Air emissions			
Nitrogen Oxides	kg	33.3	20.5
Particular matters	kg	3.2	0.6
Sulphur Oxides	kg	0.1	0.2

## Environmental, Social and Governance Report

### (4) Greenhouse Gas Emissions

Global warming is one of the main issues of climate change, and is closely related to the greenhouse gas emissions from human activities. With climate-change-related risks looming, the consensus now is that measures must be taken to further quantify and assess them. The Group is also concerned about these risks and we are committed to making use of resources in a sustainable and environmentally friendly manner, so as to reduce greenhouse gas emissions.

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	2023	2022
Greenhouse gas emissions			
Scope 1	Tonne	16	35
Scope 2	Tonne	278	249
Total GHG emission	Tonne	294	284
GHG emission intensity	Tonne/millions of revenue	3.85	2.7

### (5) 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.

## 8. Employee Care

### (1) Work Platform

#### *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

## 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 2023, the Group has 137 (2022: 122) full-time staff in PRC. Details are as follows:

<b>Workforce</b>	<b>Employee Distribution</b>	<b>Employee Turnover Ratio</b>
Gender		
Male	48	21%
Female	89	24%
Ranking		
Senior management	15	13%
Manager and supervisor	4	22%
General staff	118	24%
Age		
18-29	55	29%
30-39	34	29%
30-39	20	6%
50-59	16	13%
60 or above	12	17%

## Environmental, Social and Governance Report

### (2) 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.

### (3) Labor 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.

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.

### (4) Health and Safety

As employees are the Company's most important asset and resource and therefore a healthy and safe work environment for employees where reasonably feasible is essential, the Group has developed a policy focusing on maintaining a safe and healthy workplace which includes 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.

## Environmental, Social and Governance Report

The health and safety of the Company's employees during the past three years are as follows:

Item	2023	2022	2021
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

### 9. Operation Management

#### (1) 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. The Group's suppliers are on an approved list which is reviewed annually and suppliers on the approved list are required to make commitments regarding product quality and environmental protection.

In our frontline operations, we focus on environmentally friendly materials such as paper and biodegradable items.

During the Reporting Period, we did not identify any material risks and issues in supply chain management.

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;

## Environmental, Social and Governance Report

- 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;
- the suppliers shall timely present the latest qualification documents and licenses.

During the Reporting Period, a total of 47 medical device suppliers were involved in the Group, all of which were from the PRC.

### (2) 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.

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 rules (protocols) for the creation, maintenance, reviewing and copying, sealing or unsealing and preservation of patient medical records. These rules (protocols) are also designed to ensure that the records are not accidentally accessed, processed, erased, lost or used without authorisation.



## Environmental, Social and Governance Report

- **Distribution and service in the medical equipment business**  
The Group maintains close communications with its customers and follows up complaints from its customers and other stakeholders. During the reporting period, the Group did not receive any complaints about product quality or service complaints about property management services. All complaints shall be dealt with separately. 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.

### *Privacy*

Due to the nature of the business, our employees are exposed to a large amount of patient profiles. 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 have any non-compliance with laws and regulations relating to privacy matters and other matters that have a significant impact on the Group.

### (3) Intellectual Property Rights

The Group has been enhancing its efforts in protecting intellectual property rights and strengthening its daily management. A special department shall be responsible for the application, protection and management of intellectual property rights.

### (4) Anti-corruption

The Group is aware that any events of corruption will bring irreparable damage to the Group. As such, the Group upholds high standards of business integrity throughout its operations, and a sound ethical system and anti-corruption regime are regarded as the cornerstones of the Group's sustainable and healthy development.

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:

- verify the identity of the client by reference to a reliable source of independent documentation, in order to obtain information on the client;
- report 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 sound reporting and investigation procedures on relevant matters, and the Group will immediately terminate the employment contracts with employees who accept any benefits from the customers and suppliers, and the Group requires employees to inform its relevant department head 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 2023, no legal case or dispute in respect of bribery, extortion, fraud or money laundering was charged against the Group and our employees.

## 10. Social Participation

### (1) Community Investment

Community investment is a key element in achieving our corporate social responsibility. We encourage and support our employees to devote their spare time to volunteer services. As a responsible business, we have long been committed to social care and corporate social responsibility. During the reporting period, the Company actively engaged in charitable and social activities. The Group acts for the benefit of the community in the conduct of its business and is environmentally friendly and sustainable in the discharge of its duties.

### (2) Caring for the Community

We have deep social care and awareness of social responsibility, actively devoted ourselves to social charity undertakings and social welfare activities, and made contributions to promoting social harmony and development.

The Group is committed to community services in its business operations. And, as a member of the healthcare industry, the Group is committed to enhancing the public health awareness.

## Environmental, Social and Governance Report

<b>Appendix A</b>		
Compliance performance		
Scope	Material laws and regulations (including without limitation)	Compliance
Environment	<i>Environmental Protection Law of the People's Republic of China</i>	The Group had no material breach of laws and regulations
	<i>Water Pollution Prevention and Control Law of the People's Republic of China</i>	
	<i>Atmospheric Pollution Prevention and Control Law of the People's Republic of China</i>	
	<i>Solid Wastes Pollution Prevention and Control Law of the People's Republic of China</i>	
	<i>Energy Conservation Law of the People's Republic of China</i>	
	<i>Regulations on the Administration of Medical Waste</i>	
	<i>Implementation Measures of the Management of Medical Waste and</i>	
	<i>Urban Drainage and Sewage Treatment Ordinance</i>	
	<i>Implementation Measures of the Management of Medical Waste and</i>	
	<i>Medical Waste Management Regulations</i>	
SOCIAL		
Society, Employment and Workforce Guidelines	<i>Labour Contract Law of the People's Republic of China</i>	The Group had no material breach of laws and regulations
	<i>Labour Law of the People's Republic of China</i>	
	<i>Social Insurance Law of the People's Republic of China</i>	
	<i>Provisions on the Prohibition of Using Child Labour of the People's Republic of China</i>	
	<i>Law on Protection of Minors of the People's Republic of China</i>	

## Environmental, Social and Governance Report

Scope	Material laws and regulations (including without limitation)	Compliance
Society, Health & Safety	Law of the People's Republic of China on the Prevention and Control of Occupational Diseases	The Group had no material breach of laws and regulations
	Production Safety Law of the People's Republic of China	
Society, Product Responsibility	<i>Product Quality Law of the People's Republic of China</i>	The Group had no material breach of laws and regulations
	<i>Protection of Consumer Rights and Interests Law of the People's Republic of China</i>	
	<i>Criminal law of the People's Republic of China</i>	
	<i>Contract Law of the People's Republic of China</i>	
	<i>Cybersecurity Law of the People's Republic of China</i>	
	<i>Advertising Law of the People's Republic of China</i>	
Society, Anti-Corruption	<i>Criminal law of the People's Republic of China</i>	The Group had no material breach of laws and regulations
	<i>Criminal law of the People's Republic of China</i>	
	<i>Anti-Unfair Competition Law of the People's Republic of China</i>	
	<i>Anti-Money Laundering Law of the People's Republic of China</i>	

## Independent Auditor's Report



### 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 66 to 155, which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023, 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 ("HKSA") 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.

## 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.

## Independent Auditor's Report (Continued)

### KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
<b>Impairment assessment of goodwill, right-of-use assets and property, plant and equipment</b>	
<p>As at 31 March 2023, the Group had carrying amount of goodwill, right-of-use assets and property, plant and equipment of approximately HK\$37,880,000, HK\$2,738,000 and HK\$21,300,000 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").</p> <p>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.</p> <p>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.</p> <p>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 2023.</p> <p>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.</p>	<p>Our audit procedures in relation to impairment assessment of goodwill, right-of-use assets and property, plant and equipment included the following:</p> <ul style="list-style-type: none"> <li>- We assessed the management's identification of CGUs based on our understanding of the Group's operations;</li> <li>- 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;</li> <li>- We checked the accuracy appropriateness and reliance of the input data used;</li> <li>- We evaluated the competence, capabilities and objectivity of the independent external valuer taking into account its experience and qualifications;</li> <li>- 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</li> <li>- 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).</li> </ul>

## Independent Auditor's Report (Continued)

### KEY AUDIT MATTERS *(Continued)*

#### Key audit matter

#### How the matter was addressed in our audit

#### Impairment assessment of loan and interest receivables

As at 31 March 2023, the Group had loan and interest receivables of approximately HK\$59,218,000. During the year ended 31 March 2023, there is impairment loss recognised of loan and interest receivables HK\$4,039,000.

We had identified impairment assessment of loan receivables as a key audit matter because the assessment of the recoverability of loan receivables and recognition of loss allowance are inherently subjective and requires significant management judgment, which increases the risk of error or potential management bias.

Our audit procedures in relation to the impairment assessment of loan receivables included the following:

- Understand the procedures performed by management, including periodic review on overdue receivables and the assessment of expected credit losses allowance on the loan receivables;
- Understand and evaluate the modelling methodologies for expected credit losses measurement, assessed the reasonableness of the model selection and key measurement parameters determination;
- Understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence for the historical information;
- Assess the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data for forward-looking measurement; and
- Check major data inputs used in the expected credit losses models on sample basis to the Group's record.

## 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 HKSAAs 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 HKSAAs, 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 2023

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

## Consolidated Statement of Profit or loss

For the year ended 31 March 2023

	Notes	For the year ended 31 March	
		2023 HK\$'000	2022 HK\$'000
Revenue	10	76,414	107,025
Cost of good sold/service rendered		<u>(49,222)</u>	<u>(78,336)</u>
Gross profit		27,192	28,689
Other income	11	1,041	732
Other (loss)/gain, net	11	(21,407)	2,452
Share-based payment	13	(23)	(773)
Selling and distribution expenses		(11,726)	(11,120)
Administrative expenses		(28,267)	(28,396)
Finance costs	12	(2,193)	(293)
Share of loss of an associate		<u>(4,000)</u>	<u>-</u>
<b>LOSS BEFORE TAX</b>	13	<b>(39,383)</b>	<b>(8,709)</b>
Income tax	14	<u>(177)</u>	<u>(405)</u>
<b>LOSS FOR THE YEAR</b>		<b><u>(39,560)</u></b>	<b><u>(9,114)</u></b>
Loss for the year attributable to:			
Owners of the Company		(42,046)	(12,205)
Non-controlling interests	40	<u>2,486</u>	<u>3,091</u>
		<b><u>(39,560)</u></b>	<b><u>(9,114)</u></b>
<b>LOSS PER SHARE</b>	16		(Restated)
Basic		<u>(HK9.86 cents)</u>	<u>(HK2.96 cents)</u>
Diluted		<u>(HK9.86 cents)</u>	<u>(HK2.96 cents)</u>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	For the year ended 31 March	
	2023 HK\$'000	2022 HK\$'000
<b>LOSS FOR THE YEAR</b>	<b>(39,560)</b>	(9,114)
Other comprehensive (expense)/income <i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	(11,827)	6,725
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<b>(51,387)</b>	(2,389)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(53,451)	(5,572)
Non-controlling interests	2,064	3,183
	<b>(51,387)</b>	(2,389)

## Consolidated Statement of Financial Position

At 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	21,300	25,356
Right-of-use assets	18	2,738	3,398
Goodwill	19	37,880	40,970
Prepayment	24	17,132	18,530
Investment in an associate	20	–	–
		<b>79,050</b>	<b>88,254</b>
<b>CURRENT ASSETS</b>			
Inventories	22	11,666	13,434
Trade receivables	23	30,751	38,156
Prepayments, deposits and other receivables	24	29,020	17,714
Loan and interest receivables	21	59,218	59,862
Cash and bank balances	25	11,480	8,537
		<b>142,135</b>	<b>137,703</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	26	24,117	21,138
Other payables and accrued expenses	27	74,886	80,505
Amount due to a director	36(b)	7,020	5,100
Contract liabilities	28	5,468	1,396
Lease liabilities	29	353	850
Contingent consideration	30	8,061	6,375
Bank and other borrowings	31	5,684	17,617
Tax payable		1,646	3,914
		<b>127,235</b>	<b>136,895</b>

## Consolidated Statement of Financial Position (Continued)

At 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NET CURRENT ASSETS</b>		<b>14,900</b>	<b>808</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>93,950</b>	<b>89,062</b>
<b>NON-CURRENT LIABILITY</b>			
Contingent consideration	30	–	3,930
		–	3,930
<b>NET ASSETS</b>		<b>93,950</b>	<b>85,132</b>
<b>EQUITY</b>			
Share capital	32	471,795	413,995
Reserves		(385,463)	(334,417)
Equity attributable to owners of the Company		86,332	79,578
Non-controlling interests	40	7,618	5,554
<b>TOTAL EQUITY</b>		<b>93,950</b>	<b>85,132</b>

Approved and authorised for issue by the Board of Directors on 30 June 2023 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 2023

	Equity attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Foreign currency translation reserve	Share options reserve	Other reserve	Accumulated losses	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 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 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	<u>413,995</u>	<u>525,958*</u>	<u>57,124*</u>	<u>3,008*</u>	<u>6,384*</u>	<u>(10,304)*</u>	<u>(916,587)*</u>	<u>79,578</u>	<u>5,554</u>	<u>85,132</u>
At 1 April 2022	413,995	525,958	57,124	3,008	6,384	(10,304)	(916,587)	79,578	5,554	85,132
(Loss)/profit for the year	-	-	-	-	-	-	(42,046)	(42,046)	2,486	(39,560)
Other comprehensive expense for the year	-	-	-	(11,405)	-	-	-	(11,405)	(422)	(11,827)
Total comprehensive (expense)/income for the year	-	-	-	(11,405)	-	-	(42,046)	(53,451)	2,064	(51,387)
Issuance of share capital	17,800	2,136	-	-	-	-	-	19,936	-	19,936
Shares issued upon conversion of convertible bonds	40,000	246	-	-	-	-	-	40,246	-	40,246
Recognition of share - based payment	-	-	-	-	23	-	-	23	-	23
Forfeited of share options	-	-	-	-	(99)	-	99	-	-	-
At 31 March 2023	<u>471,795</u>	<u>528,340*</u>	<u>57,124*</u>	<u>(8,397)*</u>	<u>6,308*</u>	<u>(10,304)*</u>	<u>(958,534)*</u>	<u>86,332</u>	<u>7,618</u>	<u>93,950</u>

\* These reserve amounts comprise the consolidated deficiency in reserves of approximately HK\$385,463,000 (2022: HK\$334,417,000) in the consolidated statement of financial position.

## Consolidated Statement of Changes In Equity (Continued)

For the year ended 31 March 2023

**(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 2023 and 2022, 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 2023

	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities		
Loss before tax:	<u>(39,383)</u>	<u>(8,709)</u>
Adjustments for:		
Interest on lease liabilities	32	140
Interest income	–	(6)
Interest on convertible bonds	1,712	–
Loan interest income	(439)	(327)
Loan interest expense	449	153
Depreciation of property, plant and equipment	3,114	3,247
Depreciation of right-of-use assets	1,038	784
Provision of impairment loss on loan and interest receivable	4,039	2,400
Reversed of impairment loss on trade receivables	(889)	(137)
Recognised of impairment loss on other receivables	336	36
Loss on disposal of property, plant and equipment	229	–
Share of loss of an associate	4,000	–
Change in fair value of contingent consideration	17,692	(4,751)
Share-based payment	<u>23</u>	<u>773</u>
Operating cash flow before movement in working capital	<b>(8,047)</b>	<b>(6,397)</b>
Decrease/(increase) in inventories	1,768	(1,671)
(Increase)/decrease in loan and interest receivables	<b>(8,481)</b>	21,032
Decrease in trade receivables	8,294	28,662
(Increase)/decrease in prepayments, deposits and other receivables	<b>(11,642)</b>	2,906
Increase/(decrease) in trade payables	4,953	(60)
Increase/(decrease) in other payables and accrued expenses	410	(13,796)
Increase in contract liabilities	4,208	745
Increase/(decrease) in amount due to a director	<u>2,398</u>	<u>(658)</u>
Net cash (used in)/generated from operations	<b>(6,139)</b>	30,763
Income tax (paid)/refunded	<u>(2,083)</u>	<u>1,182</u>
Net cash (used in)/generated from operating activities	<b>(8,222)</b>	31,945

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,368)	(795)
Acquisition of investment in an associate	(4,000)	–
Acquisition of right-of-use assets	(633)	–
Proceeds from disposal of property, plant and equipment	162	–
Prepayment for investment	–	(18,530)
Loan interest received	439	–
Bank interest received	–	6
Net cash outflow from further acquisition of a subsidiary	–	(14,600)
Net cash outflow from acquisition of a subsidiary	–	(1,361)
	<u>(5,400)</u>	<u>(35,280)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Capital element of lease rentals paid	(529)	(1,101)
Addition in bank and other borrowings	5,684	14,064
Loan interest paid	(449)	(153)
Repayment of loan receivable	571	–
Repayment of bank and other borrowings	(17,617)	–
Proceeds from issuance of convertible bonds	40,000	–
	<u>27,660</u>	<u>12,810</u>
Net cash flows generated from financing activities		
Net increase in cash and cash equivalents	14,038	9,475
Effect of foreign exchange rate changes, net	(11,095)	(5,532)
Cash and cash equivalents at beginning of the year	<u>8,537</u>	<u>4,594</u>
Cash and cash equivalents at end of the year	<u><u>11,480</u></u>	<u><u>8,537</u></u>
Analysis of cash and cash equivalents:		
Cash and bank balances	<u><u>11,480</u></u>	<u><u>8,537</u></u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 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. They have been prepared under the historical cost convention.

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

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 2023

### 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 2023

### 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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 2023

### 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:

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
HKFRS 17 including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance contracts<sup>1</sup></i>
Amendments to HKFR 16	<i>Lease Liability in a Sale and Leaseback<sup>3</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclose of Accounting Policies<sup>1</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments Hong Kong Interpretation 5 (2020)<sup>3</sup></i>
Amendments to HKAS 1	<i>Non-current liabilities with Covenants (the "2022 Amendments")<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

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 2023

### 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 acquiree 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 2023

### 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 2023

### 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 2023

### 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 2023

### 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 2023

### 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 characteristics 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 2023

### 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 2023

### 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 2023

### 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 2023; 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 waiver 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 2023

### 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 in 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 2023

### 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 in 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 2023

### 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 2023

### 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.

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

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

#### 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 from 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.

##### *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 2023

### 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 2023

### 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 2023

### 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 2023

### 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 2023

### 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 2023

### 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 2023, 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 2023

### **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 2023

### 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

	2023 HK\$'000	2022 HK\$'000
Financial assets:		
Amortised cost	<u>114,670</u>	<u>119,655</u>
Financial liabilities:		
Amortised cost	<u>112,060</u>	<u>125,210</u>

#### (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 2023

### 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, loan and interest receivables and cash and bank balance represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 March 2023 and 2022, 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\$175,000 (2022: HK\$38,000).

The Group only trades with recognised and creditworthy third parties. As at 31 March 2023, the Group has concentration of credit risk of 1% (2022: 14%) and 19% (2022: 51%) 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 2023

### 8. FINANCIAL INSTRUMENTS (Continued)

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

##### Loan and interest receivables (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 2023

### 8. FINANCIAL INSTRUMENTS (Continued)

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

##### Loan and interest receivables (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
2023					
Loan and interest receivables	Watch list	12m ECL	61,150	(5,879)	55,271
Loan and interest receivables	Loss	Lifetime ECL – credit-impaired	5,636	(1,689)	3,947
Trade receivables	Performing	12m ECL	31,571	(820)	30,751
Deposits and other receivables	Performing	12m ECL (not credit-impaired and assessed individually)	13,461	(240)	13,221
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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 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 2023, the Group provided HK\$4,039,000 (2022: HK\$2,400,000) impairment allowance for loan and interest receivables based on collective assessment. Impairment allowance of HK\$3,372,000 (2022: HK\$2,659,000) 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 2023

### 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:

	2023				2022			
	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
<b>Non-derivative financial liabilities</b>								
Trade payables	24,117	-	24,117	24,117	21,138	-	21,138	21,138
Other payables and accrued expenses	74,886	-	74,886	74,886	80,505	-	80,505	80,505
Amount due to a director	7,020	-	7,020	7,020	5,100	-	5,100	5,100
Lease liabilities	367	-	367	353	886	-	886	850
Bank and other borrowings	5,883	-	5,883	5,684	18,227	-	18,227	17,617
	<u>112,273</u>	<u>-</u>	<u>112,273</u>	<u>112,060</u>	<u>125,856</u>	<u>-</u>	<u>125,856</u>	<u>125,210</u>

##### 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 2023

### 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 2023

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial liabilities</b>				
Contingent consideration	—	—	8,061	8,061

Fair value hierarchy as at 31 March 2022

<b>Financial liabilities</b>				
Contingent consideration	—	—	10,305	10,305

#### Information about level 3 fair value measurement

	Fair value as at 31 March 2023	Fair value as at 31 March 2022	Valuation technique	Significant unobservable input	Relation of significant unobservable inputs to fair value
Financial liabilities					
Contingent consideration	HK\$8,061,000	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 2023

### 8. FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements

	<b>Contingent Consideration</b> <i>HK\$'000</i>
At 1 April 2021	–
Business combination	15,056
Total losses in profit or loss	<u>(4,751)</u>
At 31 March 2022	<u>10,305</u>
At 1 April 2022	10,305
Issuance of share capital upon fulfilment of profit guarantee	(19,936)
Total losses in profit or loss	<u>17,692</u>
At 31 March 2023	<u>8,061</u>

### 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 2023

### 9. OPERATING SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating segments for the year ended 31 March 2023 and 2022:

For the year ended 31 March 2023	Distribution and service in medical equipment and consumables <i>HK\$'000</i>	Hospital operation and management services <i>HK\$'000</i>	Business service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue from external customers	<u>54,238</u>	<u>21,215</u>	<u>961</u>	<u>76,414</u>
Segment results	5,424	(455)	(3,991)	978
Reconciliation:				
Interest income and unallocated income				1,930
Corporate and other unallocated expenses				<u>(42,291)</u>
Loss before tax				<u>(39,383)</u>
Depreciation	338	2,990	248	3,576
Reconciliation:				
Unallocated depreciation				<u>575</u>
				<u>4,151</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 9. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 March 2022	Distribution and service in medical equipment and consumables <i>HK\$'000</i>	Hospital operation and management services <i>HK\$'000</i>	Business service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue from external customers	<u>88,912</u>	<u>17,958</u>	<u>155</u>	<u>107,025</u>
Segment results	8,555	(2,539)	(83)	5,933
Reconciliation:				
Interest income and unallocated income				5,483
Corporate and other unallocated expenses				<u>(20,125)</u>
Loss before tax				<u>(8,709)</u>
Depreciation	278	3,022	6	3,306
Reconciliation:				
Unallocated depreciation				<u>725</u>
				<u>4,031</u>

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 2023

### 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 2023 and 2022:

For the year ended 31 March 2023

	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	46,195	16,859	79,666	142,720
Corporate and other unallocated assets				78,465
<b>Total assets</b>				<b>221,185</b>
Segment liabilities	24,082	21,508	1,181	46,771
Corporate and other unallocated liabilities				80,464
<b>Total liabilities</b>				<b>127,235</b>

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
<b>Total assets</b>				<b>225,957</b>
Segment liabilities	101,111	25,624	458	127,193
Corporate and other unallocated liabilities				13,632
<b>Total liabilities</b>				<b>140,825</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 9. OPERATING SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2023

	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)	125	1,325	551	4,000	6,001
Disposal of property, plant and equipment	-	391	-	-	391
Depreciation of property, plant and equipment	280	2,307	8	519	3,114
Depreciation of right-of-use assets	58	740	240	-	1,038

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 9. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information

For the years ended 31 March 2023 and 2022, 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 2023 and 2022, the Group had transactions with nil customer (2022: nil) who contributed over 10% of the Group's total revenue.

### 10. REVENUE

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

	2023 HK\$'000	2022 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*	54,238	88,912
Income from provision of hospital operation and management services*	21,215	17,958
Service fee income*	961	155
	<u>76,414</u>	<u>107,025</u>

\* 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 2023

### 10. REVENUE (Continued)

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

	2023 HK\$'000	2022 HK\$'000
(i) Other income:		
Loan interest income	439	327
Interest income	–	6
Government grants and subsidies (Note (a))	461	–
Sundry income	141	399
	<u>1,041</u>	<u>732</u>
(ii) Other (loss)/gain, net:		
Charge in fair value of contingent consideration (Note (b))	(17,692)	4,751
Provisions of impairment loss on loan and interest receivables	(4,039)	(2,400)
Reversal of impairment loss on trade receivables	889	137
Recognised of impairment loss on other receivables	(336)	(36)
Loss on disposal of property, plant and equipment	(229)	–
	<u>(21,407)</u>	<u>2,452</u>

Notes:

- (a) During the year ended 31 March 2023, the Group recognised government grants of HK\$461,000 by People's Republic China government.
- (b) During the year, the Group recognised the loss on fair value change of contingent consideration of HK\$17,692,000 (2022: gain of HK\$4,751,000) arising from issue of consideration shares in respect of acquisition of a subsidiary of the Company for the year ended 31 March 2022.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 12. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	32	140
Interest on bank and other borrowings	449	153
Interest on convertible bonds	1,712	–
	<u>2,193</u>	<u>293</u>

### 13. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2023 HK\$'000	2022 HK\$'000
Auditors' remuneration	880	870
Depreciation of right-of-use assets	1,038	784
Depreciation of property, plant and equipment	3,114	3,247
Short-term lease payments	919	1,298
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	10,129	11,195
– Share-based payments	23	773
– Contributions to defined contribution retirement plans	51	51
	<u>51</u>	<u>51</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 14. INCOME TAX

Under the two-tiered profits tax rates regime of Hong Kong Profit tax, the first HK\$2 million of assessable profits of qualifying group entities will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2022: 16.5%). Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK\$2 million.

Hong Kong Profits Tax is calculated at the rate 16.5% (2022: 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 profits 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.

	2023 HK\$'000	2022 HK\$'000
Current tax – PRC		
Provision for the year	<u>177</u>	<u>405</u>

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:

	2023 HK\$'000	2022 HK\$'000
Loss before tax	<u>(39,383)</u>	<u>(8,709)</u>
Tax at the statutory rate in the PRC of 25%	(9,846)	(2,177)
Tax effect of non-taxable income	–	(7)
Tax effect of non-deductible expenses	1,165	827
Tax losses not recognised	<u>8,858</u>	<u>1,762</u>
Tax charge for the year	<u>177</u>	<u>405</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 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 2023

Notes	Contributions				
	Directors' fees	Salaries and other benefits	to retirement benefit schemes	Share-based Payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>EXECUTIVE DIRECTORS</b>					
Mr. Chung Ho	-	1,200	18	8	1,226
Mr. Zhang Fan ( <i>Chairman</i> )	-	1,200	18	1	1,219
<b>NON-EXECUTIVE DIRECTORS</b>					
Mr. Xing Yong	300	-	-	1	301
Mr. Huang Lianhai	100	-	-	1	101
Mr. Wang Jingming	100	-	-	1	101
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>					
Mr. Jiang Xuejun	100	-	-	1	101
Mr. Du Yanhua	100	-	-	1	101
Mr. Lai Liangquan	100	-	-	1	101
	<b>800</b>	<b>2,400</b>	<b>36</b>	<b>15</b>	<b>3,251</b>

During both years ended 31 March 2023 and 2022, 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 2023, 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 (2022: 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 2023

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

#### Directors' emoluments (Continued)

Year ended 31 March 2022

		Salaries and other	Contributions to retirement benefit	Share-based payments	Total
	Directors' fees	benefits	schemes		
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>EXECUTIVE DIRECTORS</b>					
	–	1,200	18	328	1,546
	–	1,200	18	44	1,262
<b>NON-EXECUTIVE DIRECTORS</b>					
	300	–	–	44	344
	100	–	–	33	133
<i>b</i>	–	373	–	33	406
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>					
	100	–	–	44	144
	100	–	–	33	133
	100	–	–	33	133
<i>a</i>	139	–	–	–	139
	<u>839</u>	<u>2,773</u>	<u>36</u>	<u>592</u>	<u>4,240</u>

- 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. 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

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

#### Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, five (2022: five) were directors of the Company whose emoluments are presented above.

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 2023 and 2022.

### 16. LOSS PER SHARE

	2023 HK\$'000	2022 HK\$'000
Loss attributable to owners of the Company, used in the basis loss per share calculation:	<u>(42,046)</u>	<u>(12,205)</u>
	2023 '000	2022 '000 (Restated)
Weighted average number of ordinary shares for the purpose of calculating loss per share	<u>426,574</u>	<u>412,230</u>

#### (a) Basic loss per share

For the year ended 31 March 2023, the calculation of basic loss per share is based on the net loss for the year of approximately HK\$42,046,000 (2022: approximately HK\$12,205,000) attributable to the equity holders of the Company, and weighted average of approximately 426,574,500 (2022 (Restated): approximately 412,230,400) ordinary shares in issue during the year.

On 8 August 2022, the consolidation of every 10 ordinary shares of the Company of HK\$0.1 each into one consolidated share of HK\$1.0 each. For the year ended 31 March 2022, the weighted average number of ordinary shares has been adjusted for the effect of the share consolidation.

#### (b) Diluted loss per share

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Medical equipment HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicle HK\$'000	Software HK\$'000	Total HK\$'000
Cost:							
At 1 April 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
<b>At 31 March 2022 and 1 April 2022</b>	<b>15,699</b>	<b>8,890</b>	<b>6,383</b>	<b>2,753</b>	<b>1,247</b>	<b>4,034</b>	<b>39,006</b>
Addition	-	619	252	318	8	171	1,368
Disposal	-	-	-	-	(930)	-	(930)
Written off	-	(68)	-	(25)	-	-	(93)
Exchange realignment	(1,184)	(671)	(481)	(374)	(94)	(304)	(3,108)
<b>At 31 March 2023</b>	<b>14,515</b>	<b>8,770</b>	<b>6,154</b>	<b>2,672</b>	<b>231</b>	<b>3,901</b>	<b>36,243</b>
Accumulated depreciation:							
At 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
<b>At 31 March 2022 and 1 April 2022</b>	<b>1,044</b>	<b>6,091</b>	<b>2,857</b>	<b>1,876</b>	<b>437</b>	<b>1,345</b>	<b>13,650</b>
Provided for the year	519	1,060	654	221	263	397	3,114
Disposal	-	-	-	-	(539)	-	(539)
Written off	-	(61)	-	(23)	-	-	(84)
Exchange realignment	(79)	(461)	(216)	(307)	(32)	(103)	(1,198)
<b>At 31 March 2023</b>	<b>1,484</b>	<b>6,629</b>	<b>3,295</b>	<b>1,767</b>	<b>129</b>	<b>1,639</b>	<b>14,943</b>
Net carrying values							
<b>At 31 March 2023</b>	<b>13,031</b>	<b>2,141</b>	<b>2,859</b>	<b>905</b>	<b>102</b>	<b>2,262</b>	<b>21,300</b>
At 31 March 2022	14,655	2,799	3,526	877	810	2,689	25,356

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 18. RIGHT-OF-USE ASSETS

	Leasehold land <i>HK\$'000</i>	Leasehold buildings <i>HK\$'000</i>	Medical equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>				
At 1 April 2021	1,630	–	4,713	6,343
Exchange realignment	70	–	203	273
At 31 March 2022 and 1 April 2022	<b>1,700</b>	–	<b>4,916</b>	<b>6,616</b>
Additions	–	633	–	633
Exchange realignment	<b>(127)</b>	–	<b>(370)</b>	<b>(497)</b>
At 31 March 2023	<b>1,573</b>	<b>633</b>	<b>4,546</b>	<b>6,752</b>
<b>Accumulated depreciation:</b>				
At 1 April 2021	81	–	2,239	2,320
Provided for the year	60	–	724	784
Exchange realignment	7	–	107	114
At 31 March 2022 and 1 April 2022	<b>148</b>	–	<b>3,070</b>	<b>3,218</b>
Provided for the year	<b>56</b>	<b>299</b>	<b>683</b>	<b>1,038</b>
Exchange realignment	<b>(11)</b>	–	<b>(231)</b>	<b>(242)</b>
At 31 March 2023	<b>193</b>	<b>299</b>	<b>3,522</b>	<b>4,014</b>
<b>Carrying amount:</b>				
At 31 March 2023	<b>1,380</b>	<b>334</b>	<b>1,024</b>	<b>2,738</b>
At 31 March 2022	<b>1,552</b>	–	<b>1,846</b>	<b>3,398</b>

#### 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 2023

### 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 (2022: 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

	2023 HKD	2022 HKD
<b>Cost:</b>		
As at 1 April	40,970	22,603
Acquisition	–	15,199
Exchange realignment	<u>(3,090)</u>	<u>3,168</u>
As at 31 March	<u><u>37,880</u></u>	<u><u>40,970</u></u>
<b>Accumulated impairment:</b>		
As at 1 April	–	–
Exchange realignment	<u>–</u>	<u>–</u>
At 31 March	<u><u>–</u></u>	<u><u>–</u></u>
<b>Carrying amounts:</b>	<u><u>37,880</u></u>	<u><u>40,970</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 19. GOODWILL (Continued)

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

	2023	2022
Hospital operation and management service	23,586	25,510
Distribution and service in medical equipment and consumables	14,294	15,460
	<u>37,880</u>	<u>40,970</u>

#### 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 (2022: 5-year period), based on financial budgets approved by the management with discount rate of 11.66% (2022: 11.30%) per annum. Cash flows beyond the 5-year period (2022: 5-year period) are extrapolated with 2% (2022: 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 5% to 14% (2022: 4% to 19%). Such estimation is based on the CGU's past performance and management's expectations of the market development.

During the years ended 31 March 2023 and 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 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\$15,199,00 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 (2022: 5-year period), based on financial budgets approved by the management with discount rate of 12% (2022: 12%) per annum. Cash flows beyond the 5-year period (2022: 5-year period) are extrapolated with 2% (2022: 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 43% and 6% (2022: 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 2023, 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

	2023 HK\$'000	2022 HK\$'000
Cost of investment in associate	4,000	–
Share of post-acquisition loss and other comprehensive expense	(4,000)	–
	<u>–</u>	<u>–</u>

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	
		2023	2022
Trillion Silver Limited	Hong Kong	20%	–

The Group's shareholdings in the associate's equity shares are indirectly held by the Company through wholly-owned subsidiary. The Group's associate is accounted for using the equity method in the consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 20. INVESTMENT IN AN ASSOCIATE (Continued)

The following table illustrates the summarised financial information of the Group's associate extracted from their financial statements.

#### Trillion Silver Limited

	2023 HK\$'000	2022 HK\$'000
Current assets	61	–
Current liabilities	(1,792)	–
Net liabilities	(1,731)	–
Loss for the year	(5,737)	–
Total comprehensive expense for the year	(5,737)	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2023 HK\$'000	2022 HK\$'000
Net liabilities	(1,731)	–
Proportion of the Group's ownership interest	20%	–
The Group's share of loss	(4,000)	–

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 21. LOAN AND INTEREST RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loan and interest receivables – unsecured	<u>59,218</u>	<u>59,862</u>
Presented as – current assets	<u>59,218</u>	<u>59,862</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	<u>59,218</u>	<u>59,862</u>
After 1 year but within 2 years	–	–
After 2 years but within 5 years	–	–
	–	–
	<u>59,218</u>	<u>59,862</u>

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 2023 and 2022, none of the covenants were breached.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 21. LOAN AND INTEREST RECEIVABLES (Continued)

Movement of loan and interest receivables is as follows:

	2023 HK\$'000	2022 HK\$'000
As at 1 April	59,862	79,946
Additions	8,747	–
Repayment	(571)	(21,032)
Impairment charged for the year, net	(4,039)	(2,400)
Exchange realignment	(4,781)	3,348
	<u>59,218</u>	<u>59,862</u>
As at 31 March	<u>59,218</u>	<u>59,862</u>

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

	2023		2022	
	Effective interest rate %	Carrying amount HK\$'000	Effective interest rate %	Carrying amount HK\$'000
Fixed rate:				
Loan receivables	7	<u>59,218</u>	7	<u>59,862</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 21. LOAN AND INTEREST RECEIVABLES (Continued)

	Loan and interest receivables			Total HK\$'000
	12-month ECL HK\$'000	Lifetime ECL	Lifetime ECL	
		(non-credit impaired) HK\$'000	(credit impaired) HK\$'000	
At 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 and 1 April 2022	–	3,156	616	3,772
Transfer to lifetime (credit impaired)	–	(497)	497	–
Total transfer between stages	–	(497)	497	–
Charge for the year	90	3,372	577	4,039
Exchange realignment	–	(242)	(1)	(243)
At 31 March 2023	<u>90</u>	<u>5,789</u>	<u>1,689</u>	<u>7,568</u>

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 2023, loan receivables were not default under lifetime ECL. As at 31 March 2023, no loan and interest receivables were default.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 21. LOAN AND INTEREST RECEIVABLES (Continued)

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 2023, the charge of impairment allowance of loans receivable of approximately HK\$4,039,000 (2022: charge approximately HK\$2,400,000).

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

### 22. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Finished goods	<u>11,666</u>	<u>13,434</u>

### 23. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Distribution and service in medical equipment and consumables	25,932	34,826
Hospital operation and management services	4,678	5,029
Business service	<u>961</u>	<u>44</u>
	31,571	39,899
Less: Allowance for credit loss	<u>(820)</u>	<u>(1,743)</u>
	<u>30,751</u>	<u>38,156</u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 23. TRADE RECEIVABLES (Continued)

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:

	2023 HK\$'000	2022 HK\$'000
Within 90 days	13,807	797
91 – 180 days	3,158	14,237
Over 180 days	13,786	23,122
	<u>30,751</u>	<u>38,156</u>

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

	2023 HK\$'000	2022 HK\$'000
Within 90 days	16,966	15,035
91 – 180 days	9,764	19,594
Over 180 days	4,021	3,527
	<u>30,751</u>	<u>38,156</u>

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 23. TRADE RECEIVABLES (Continued)

Movement in the allowance for credit loss:

	2023 HK\$'000	2022 HK\$'000
Balance at beginning of the year	1,743	1,880
Reversal of allowance, net	(889)	(137)
Exchange realignment	(34)	–
Balance at end of the year	<u>820</u>	<u>1,743</u>

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$30,751,000 (2022: HK\$38,156,000) which are past due as at the reporting date. Out of the past due balances, HK\$30,751,000 (2021: HK\$38,156,000) has been past due 90 days or more and is not considered as in default.

### 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Prepayments	32,931	23,144
Deposits	6,247	500
Other receivables	6,974	12,600
	<u>46,152</u>	<u>36,244</u>
Less: non-current position (Note)	<u>(17,132)</u>	<u>(18,530)</u>
	<u>29,020</u>	<u>17,714</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(Continued)

*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\$17,132,000) will be paid by Zhongwei Health on or before 31 December 2023.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 25. CASH AND BANK BALANCES

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

	2023 HK\$'000	2022 HK\$'000
RMB	5,862	7,571
HK\$	5,612	960
US\$	6	6
	<u>11,480</u>	<u>8,537</u>

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

	2023 HK\$'000	2022 HK\$'000
Trade payables	<u>24,117</u>	<u>21,138</u>

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

	2023 HK\$'000	2022 HK\$'000
Within 1 month	1,288	317
1-3 months	1,560	1,372
Over 3 months but within 1 year	<u>21,269</u>	<u>19,449</u>
	<u>24,117</u>	<u>21,138</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 27. OTHER PAYABLES AND ACCRUED EXPENSES

	2023 HK\$'000	2022 HK\$'000
Other payables (Note 1 and 2)	52,272	56,471
Accrual expense	22,614	24,034
	<u>74,886</u>	<u>80,505</u>

Note:

- As at 31 March 2023 and 31 March 2022, approximately US\$4,000,000 (equivalent to approximately HK\$31,399,000) (31 March 2022: 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 statement of financial position. 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 2023

### 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 commenced on 5 June 2023 before the Honourable Mr. Justice Harris and was completed on 29 June 2023. The Judgment for the 2549 & 2569 Action will be handed down by the Judge by 27 December 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 2023, 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 2023

### 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 2023 and 2022.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance as at 1 April	1,396	651
Revenue recognised from performance obligations satisfied during the year	<b>(33,203)</b>	(54,091)
Acquisition of a subsidiary	–	725
Consideration received from sales of during the year	<b>37,380</b>	54,045
Exchange realignment	<b>(105)</b>	66
	<hr/>	<hr/>
Balance as at 31 March	<b><u>5,468</u></b>	<b><u>1,396</u></b>

### 29. LEASE LIABILITIES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	353	850
Non-current	–	–
	<hr/>	<hr/>
	<b><u>353</u></b>	<b><u>850</u></b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 29. LEASE LIABILITIES (Continued)

2023

	Minimum lease payments HK\$'000	Present value of lease liabilities HK\$'000
Minimum lease payment due:		
– Within one year	343	353
– more than one year but not more than two years	24	–
– more than two years but not more than five years	–	–
	<u>367</u>	<u>353</u>
Future finance charges	(14)	
Present value of lease liabilities	<u><u>353</u></u>	
Amounts due for settlement within one year (shown under current liabilities)		<u>(353)</u>
Amounts due for settlement after one year		<u><u>–</u></u>

### 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	–	–
	<u>886</u>	<u>850</u>
Future finance charges	(36)	
Present value of lease liabilities	<u><u>850</u></u>	
Amounts due for settlement within one year (shown under current liabilities)		<u>(850)</u>
Amounts due for settlement after one year		<u><u>–</u></u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 29. LEASE LIABILITIES (Continued)

As at 31 March 2023, the effective interest rates of the Group's lease liabilities ranged from 7% to 7.50% per annum (2022: 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 2023 was HK\$529,000 (2022: HK\$1,101,000).

### 30. CONTINGENT CONSIDERATION

	2023 HK\$'000	2022 HK\$'000
Current	8,061	6,375
Non-current	—	3,930
	<u>8,061</u>	<u>10,305</u>
	HK\$'000	HK\$'000
Balance as at 1 April	10,305	—
Acquisition of a subsidiary	—	15,056
Issuance of share capital upon fulfilment of profit guarantee	(19,936)	—
Fair value change	17,692	(4,751)
	<u>8,061</u>	<u>10,305</u>

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 ("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\$3,400,000) and RMB6,000,000 (equivalent to approximately HK\$6,800,000) 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 as at 31 March 2023 was HK\$8,061,000 (2022: HK\$10,305,000).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 30. CONTINGENT CONSIDERATION (Continued)

On 22 August 2022, the profit guarantee of Beijing Youkang for the year ended 31 March 2022 has been met and total of 178,000,000 ordinary shares according to the Agreement.

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.

### 31. BANK AND OTHER BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Unsecured bank borrowings (note 1)	5,684	8,117
Unsecured other borrowing (note 2)	—	9,500
	<u>5,684</u>	<u>17,617</u>

Notes:

- As at 31 March 2023, the Group had certain bank borrowings, which was denominated in Renminbi, RMB4,976,000 (equivalent to approximately HK\$5,684,000) (2022: approximately RMB6,500,000 (equivalent to approximately HK\$8,117,000)). 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.
- 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 fully repaid on 30 September 2022.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 32. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 April 2021, 31 March 2022 and 1 April 2022	100,000,000,000	10,000,000
Effects of share consolidation ( <i>Note (b)</i> )	<u>(90,000,000,000)</u>	<u>–</u>
Ordinary shares of HK\$1 each		
At 31 March 2023	<u>10,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each		
At 1 April 2021, 31 March 2022 and 1 April 2022	4,139,947,634	413,995
Consideration issue ( <i>Note (a)</i> )	178,000,000	17,800
Effects of share consolidation ( <i>Note (b)</i> )	<u>(3,886,152,871)</u>	<u>–</u>
Shares issued under conversion of convertible bonds ( <i>Note (c)</i> )	<u>40,000,000</u>	<u>40,000</u>
At 31 March 2023	<u>471,794,763</u>	<u>471,795</u>

*Notes:*

- (a) (a) 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 the subsidiary acquisition of the Group. Therefore, such shares are considered not yet issued to the vendor until the condition of profit guarantee satisfied.

On 22 August 2022, the profit guarantee of the related subsidiary for the year ended 31 March 2022 has been met and a total of 178,000,000 ordinary shares were issued according to the relevant agreement regarding the acquisition of the subsidiary.

- (b) On 4 July 2022, the Company made a proposal of share consolidation to the shareholders that: every ten issued shares of HK\$0.1 each to be consolidated into one consolidated share of HK\$1.00 each. The share consolidation has become effective on 8 August 2022.

- (c) On 16 March 2023, convertible bonds with an aggregate principal amount of HK\$40,000,000 were converted into 40,000,000 ordinary shares of the Company at a conversion price of HK\$1.00 each.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—*	—*
	—	—
CURRENT ASSETS		
Trade receivables	57	69
Prepayments, deposits and other receivables	3,964	2,930
Amounts due from subsidiaries (Note a)	30,193	15,330
Cash and bank balances	5,600	949
	39,814	19,278
CURRENT LIABILITIES		
Other payables and accrued expenses	63,474	75,824
Amount due to a director	—	191
	63,474	76,015
NET CURRENT LIABILITIES	(23,660)	(56,737)
TOTAL ASSETS LESS CURRENT LIABILITIES	(23,660)	(56,737)
NET LIABILITIES	(23,660)	(56,737)
EQUITY		
Issued capital (Note 32)	471,795	413,995
Reserves (Note b)	(495,455)	(470,732)
Total equity	(23,660)	(56,737)

\* Represents amount less than HK\$1,000

Approved and authorised for issue by the Board of Directors on 30 June 2023

Zhang Fan  
Director

Chung Ho  
Director

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 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 HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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	-
<b>At 31 March 2022 and at 1 April 2022</b>	<b>413,995</b>	<b>525,958</b>	<b>57,124</b>	<b>6,384</b>	<b>(1,060,198)</b>	<b>(56,737)</b>
Loss for the year	-	-	-	-	(27,128)	(27,128)
- Issuance of share capital	17,800	2,136	-	-	-	19,936
- Shares issued upon conversion of convertible bonds	40,000	246	-	-	-	40,246
Grant of Share option	-	-	-	23	-	23
Lapsesd of share option	-	-	-	(99)	99	-
<b>At 31 March 2023</b>	<b>471,795</b>	<b>528,340</b>	<b>57,124</b>	<b>6,308</b>	<b>(1,087,227)</b>	<b>(23,660)</b>

### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 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 exercised 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 2023

### 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 share options and the average Stock Exchange closing price for the five business days immediately preceding the date of the grant of the share options.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 34. SHARE OPTIONS SCHEME (Continued)

The following tables summarise the movements in the Company's share options during the year ended 31 March 2023 and 31 March 2022:

	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 2021	0.18	119,000,000	0.18	146,900,000
Lapsed/forfeited during the year	<u>0.18</u>	<u>(3,000,000)</u>	<u>0.18</u>	<u>(19,500,000)</u>
At 31 March 2022 and 1 April 2022	0.18	116,000,000	0.18	127,400,000
Lapsed/forfeited during the year	<u>0.18</u>	<u>(104,800,000)</u>	<u>0.18</u>	<u>(119,550,000)</u>
At 31 March 2023	<u><u>0.18</u></u>	<u><u>11,200,000</u></u>	<u><u>0.18</u></u>	<u><u>7,850,000</u></u>

The total number of securities available for issue under the share option scheme(s) of the Company as at 31 March 2023 was 19,050,000 shares (2022: 243,400,000 shares) (representing share options for 19,050,000 shares (2022: 243,400,000 shares) that have been granted but not yet lapsed or exercised) which represented 4.34% (2022: 5.54%) of the ordinary shares of the company in issue on 31 March 2023.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 34. SHARE OPTIONS SCHEME (Continued)

The following table discloses details of options outstanding and movements during the year ended 31 March 2023:

Name or category of participant	Number of share options							Exercise period of share options HK\$	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\$
	At 1 April 2022	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 2023				
Directors											
Mr. Zhang Fan	4,000,000	-	-	(3,600,000)	-	-	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	4,000,000	-	-	(3,600,000)	-	-	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Chung Ho	30,000,000	-	-	(27,000,000)	-	-	3,000,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Wang Jingming	3,000,000	-	-	(2,700,000)	-	-	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Xing Yong	4,000,000	-	-	(3,600,000)	-	-	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	30,000,000	-	-	(27,000,000)	-	-	3,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 34. SHARE OPTIONS SCHEME (Continued)

Name or category of participant	Number of share options							Exercise period of share options HK\$	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\$
	At 1 April 2022	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 2023				
Mr. Huang Lianhai	3,000,000	-	-	(2,700,000)	-	-	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	20,000,000	-	-	(18,000,000)	-	-	2,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Jiang Xuejun	4,000,000	-	-	(3,600,000)	-	-	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	4,000,000	-	-	(3,600,000)	-	-	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Du Yanhua	3,000,000	-	-	(2,700,000)	-	-	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Lai Liangquan	3,000,000	-	-	(2,700,000)	-	-	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Director of the subsidiaries of the Company											
Ms. Tang Wenji	1,000,000	-	-	(900,000)	(100,000)	-	-	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Subtotal	113,000,000	-	-	(101,700,000)	(100,000)	-	11,200,000				

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 34. SHARE OPTIONS SCHEME (Continued)

Name or category of participant	Number of share options							Exercise period of share options HK\$	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\$
	At 1 April 2022	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 2023				
Employees	20,800,000	-	-	-	(20,800,000)	-	-	19 May 2017 to 18 May 2022	0.18	19 May 2017	0.165
	6,500,000	-	-	(5,850,000)	-	-	650,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	12,500,000	-	-	(11,250,000)	(1,150,000)	-	100,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
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	-	-	(7,200,000)	-	-	800,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	63,000,000	-	-	(56,700,000)	-	-	6,300,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Total	<u>243,400,000</u>	<u>-</u>	<u>-</u>	<u>(182,700,000)</u>	<u>(41,650,000)</u>	<u>-</u>	<u>19,050,000</u>				

Note 1: Share options were granted to 14 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, 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 34. SHARE OPTIONS SCHEME (Continued)

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 grant date (HK\$)	0.035

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 2023 and 2022.

The Group recognised the total expense of approximately HK\$23,000 for the year ended 31 March 2023 in relation to share options granted by the Company (2022: HK\$773,000)

### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 35. ACQUISITION OF A SUBSIDIARY (Continued)

#### Consideration transferred

	<i>HK\$'000</i>
Cash	2,186
Contingent consideration (Note)	<u>15,056</u>
	<u><u>17,242</u></u>

#### 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\$3,431,000) (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\$6,861,000) (the "2023 Guaranteed Profit", together with the 2023 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 2023

### 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 financial year ended 31 March 2023.

The fair value of such contingent consideration of approximately HK\$8,061,000 as at 31 March 2023 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 financial year ended 31 March 2022, 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

	<i>HK\$'000</i>
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	<u>(2,834)</u>
	<u><u>3,405</u></u>

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.

#### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 35. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired and liabilities recognised at the date of acquisition  
(Continued)

Goodwill arising on acquisition:

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

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

Net cash outflow on acquisition of Beijing Youkang:

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

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 2023

### 36. 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.

### 37. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 2 December 2022, the Company and 武漢明誠旺達醫藥有限公司 (Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd., "Wuhan Mingcheng Wangda") have entered into a cooperation framework agreement, pursuant to which the Company and Wuhan Mingcheng Wangda intend to have close cooperation in various ways for distributing medical one health products. Wuhan Mingcheng Wangda's business scope covers western medicine, traditional Chinese medicine, healthcare products, medical devices, medical equipment, medical testing, consumer health products, animal healthcare, raw materials for characteristic traditional Chinese medicine and health technology, and provision of integrated services such as procurement, marketing, logistics, distribution, Internet and entity expansion.

On 6 February 2023, the Company, Long Heng Investments Limited (a direct and wholly-owned subsidiary of the Company as the purchaser), three vendors, namely Double Bliss Investments Limited, Mr. Zhou Wang and Alpha Success International Limited and two vendor guarantors entered into the sales and purchase agreement (the "Agreement") for acquisition of 51% equity interest in Golden Alliance Limited, which is principally engaged in distribution and marketing of pharmaceutical products in the PRC through its indirectly wholly owned subsidiary (i.e. Wuhan Mingcheng Wangda), at the consideration of HK\$153,000,000, which shall be satisfied by (i) the issue of the promissory notes in the aggregate amount of HK\$47,125,000 on the date of completion of acquisition; and (ii) the allotment and issue of up to 87,500,000 shares at the issue price of HK\$1.21 per share after the issue of audited financial statements of the target group for the year ending 31 March 2024 and 2025 pursuant to the Hong Kong Financial Reporting Standards (HKFRS) subject to the profit guarantee adjustments stated in the Agreement. The acquisition was completed on 16 June 2023.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 38. 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 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	<u>(1,101)</u>	<u>(153)</u>	<u>(1,254)</u>
As at 31 March 2022 and 1 April 2022	<b>850</b>	<b>17,617</b>	<b>18,467</b>
Effective interest expenses incurred	32	–	32
Recognition of Interest expenses	–	449	449
Financing cash inflows	–	5,684	5,684
Financing cash outflows	<u>(529)</u>	<u>(18,066)</u>	<u>(18,595)</u>
As at 31 March 2023	<u><b>353</b></u>	<u><b>5,684</b></u>	<u><b>6,037</b></u>

### 39. 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 2023.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### 40. 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 medical equipment and consumables

## **Notes** to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2023

### **40. 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 2023

### 40. 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
<b>As at 31 March</b>				
Non-current assets	88	43	94	808
Current assets	41,783	31,424	14,095	32,694
Current liabilities	(26,960)	(22,516)	(692)	(17,395)
Net assets	14,911	8,951	13,497	16,107
Carrying amount of NCI	5,965	3,580	1,653	1,974
<b>Year ended 31 March</b>				
Revenue	48,881	27,285	5,357	58,250
Expenses	(55,524)	(21,895)	(3,960)	(53,195)
(Loss)/profit for the year	(6,643)	5,390	1,397	5,055
(Loss)/profit attributable to NCI	(2,657)	2,155	171	936
Net cash flow (used in)/ generated from				
Operating activities	(3,547)	(1,787)	2,348	1,188
Investing activities	(90)	(35)	(305)	–
Financing activities	5,565	4,411	(1,782)	27,027
Total comprehensive income to NCI	(2,384)	2,218	320	965

## Financial Summary

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>RESULTS</b>					
Revenue	<u>76,414</u>	<u>107,025</u>	<u>87,889</u>	<u>45,160</u>	<u>32,183</u>
Loss before tax	<u>(39,383)</u>	<u>(8,709)</u>	<u>(5,331)</u>	<u>(34,340)</u>	<u>(19,925)</u>
Income tax expense	<u>(177)</u>	<u>(405)</u>	<u>(1,228)</u>	<u>(1,435)</u>	<u>(3,088)</u>
Loss for the year	<u>(39,560)</u>	<u>(9,114)</u>	<u>(6,559)</u>	<u>(35,775)</u>	<u>(23,013)</u>
Attributable to:					
Owners of the Company	<u>(42,046)</u>	<u>(12,205)</u>	<u>(7,744)</u>	<u>(36,679)</u>	<u>(23,081)</u>
Non-controlling interests	<u>2,486</u>	<u>3,091</u>	<u>1,185</u>	<u>904</u>	<u>68</u>
	<u>(39,560)</u>	<u>(9,114)</u>	<u>(6,559)</u>	<u>(35,775)</u>	<u>23,013</u>

	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	<u>221,185</u>	<u>225,957</u>	<u>217,818</u>	<u>196,831</u>	<u>215,241</u>
Total liabilities	<u>(127,235)</u>	<u>(140,825)</u>	<u>(117,832)</u>	<u>(96,097)</u>	<u>(83,196)</u>
Net assets	<u>93,950</u>	<u>85,132</u>	<u>99,986</u>	<u>100,734</u>	<u>132,045</u>