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)

2024
ANNUAL REPORT

CONTENTS

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

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKER

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

AUDITOR

Elite Partners CPA Limited
Level 23,
YF Life Tower,
33 Lockhart Road,
Wan Chai,
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

Tricor Tengis Limited
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 has overcome various difficulties and has experienced a challenging year. The Company continued to maintain stable development in the areas of medical services, medical equipment and consumables distribution business, as well as making meaningful attempts in the field of comprehensive health consumption, which laid a foundation for the Company's future development.

Looking at the field of comprehensive health business, opportunities and challenges remained. On the one hand, with the improvement of people's living standards, the issue of healthcare has been highly anticipated and involved on both national and personal level. Various factors, such as problem of aging and high unmet medical needs, promoted the sustained and rapid development of major health industries. On the other hand, with the improvement of the localization level of medicine and equipment supplies and the specialization of national centralized purchasing of equipment supplies, the norms of relevant industries gradually transited from a closed monopolistic competitive market to a perfectly competitive market. Such transition made far-reaching impact that changed the business rules and investment logic of all the industries fundamentally, thus increasing challenges among the industries ahead. In face of such changes and impacts among these industries, the management of the Company has made continuous adjustments in its operation strategies. On the basis of maintaining an appropriate operation scale of its existing businesses, the management has endeavored to reduce the overall operation risk. At the same time, the Company has made full efforts for seeking new businesses that may bring sustainable growth to itself, and the results are emerging.

Looking ahead, with the rapid development of biotechnology, especially the revolution of gene technology coupled with AI technology, getting rid of all the diseases and taking self-control for one's health are no longer a distant dream in the future. Such prospects motivates us to be continuously devoted in the industry, as well as putting effort into it. The Company will further strengthen its existing business and identify the right investment direction on the basis of which, and hopes to achieve a qualitative leap in performance through cooperation with the industry's outstanding professional teams and strategic investors.

Zhang Fan
Chairman

27 June 2024

Management Discussion and Analysis

RESULTS REVIEW

For the year ended 31 March 2024, the Group reported revenue of approximately HK$59.9 million, representing a decrease of 21.6% as compared to HK$76.4 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK$45.8 million (2023: HK$54.2 million); (b) income from hospital operation and management of approximately HK$14.1 million (2023: HK$21.2 million); and (c) service fee income from business factoring of nil (2023: HK$1 million). For the year ended 31 March 2024, the Group reported gross profit of approximately HK$13.6 million, representing a decrease of 50% as compared to HK$27.2 million for the previous year.

For the year ended 31 March 2024, there was impairment loss recognised on expected credit loss ("ECL") on loan and interest receivables of approximately HK$17.7 million (2023: HK$4 million). An impairment analysis is performed at each reporting date using the probability of default approach to measure 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 2024, the probability of default applied was 98.2% (2023: 20.1%) and the loss given default rate was estimated to be 64.1% (2023: 61.53%).

The Group's loss attributable to shareholders for the year was approximately HK$40.2 million as compared to a net loss of approximately HK$42 million for the previous year. Basic loss per share for the year was HK$8.45 cents (2023: HK$9.86 cents).

REVIEW OF BUSINESS OPERATIONS

For the year ended 31 March 2024, the business operations of the Group comprise (a) medical equipment and consumables distribution and service business; (b) hospital operation and management services business; (c) business factoring service; (d) distribution and marketing of pharmaceutical products; and (e) research and development and sale of functional food.

(a) Medical equipment and consumables distribution and service business

During the year, the Group recorded revenue of approximately HK$45.8 million (2023: HK$54.2 million), representing a decrease of 15.5% as compared with the previous year. The operating profit was approximately HK$0.4 million (2023: HK$5.4 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. The Group has 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.

(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$14.1 million (2023: HK$21.2 million) and operating loss of approximately HK$6.4 million (2023: HK$0.5 million) during the year.

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,

Management Discussion and Analysis

(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 the date of this report and before impairment loss on expected credit loss, approximately RMB46.7 million (approximately HK$51.0 million) is outstanding under the Settlement Agreement.

(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. The Group did not record any revenue from business factoring business (2023: HK$1 million) and recorded operating loss of approximately HK$10.6 million (2023: HK$4 million) during the year.

Management Discussion and Analysis

(d) Distribution and marketing of pharmaceutical products

On 16 June 2023, the Group completed 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, 武漢明誠旺達醫藥有限公司 (Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd., "Mingcheng Wangda"). The Group did not record any revenue during the year.

On 23 April 2024, the Group has terminated the above business following the disposal of 51% equity interest in Golden Alliance Limited as detailed in the section headed "Material Acquisitions and disposals".

(e) Research and development and sale of functional food

On 16 November 2023, the Group completed acquisition of 100% equity interest in Jinmei Developments Limited, which is principally engaged in the research and development and sale of functional foods for the prevention of cardiovascular and cerebrovascular diseases through its wholly owned subsidiary, 深圳市偉航奕寧生物科技有限公司 (Shenzhen Weihang Yining Biotechnology Co., Ltd, "Weihang Yining") as detailed in the section headed "Material Acquisitions and disposals". The Group did not record any revenue (2023: nil) and recorded operating loss of approximately HK$13.1 million (2023: nil) during the year.

FUTURE PROSPECTS

Over the past year, the PRC and Hong Kong had entered the post-pandemic era, and the society and economy had begun to recover and return to normal in an all-round way. The economic recovery and development of the PRC were against expectations due to insufficient overall demand, supply chain adjustments, and the adverse effects of geopolitics. However, 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.

During the reporting period, the Group was inevitably affected by the general environment and faced unprecedented difficulties in business operations, including the decline in the existing operations and the failure of the new distribution business to realise its plans. Thanks to the unremitting efforts of all employees of the Group, its businesses generally remained stable during the year. Recently, the Chinese government will continue to roll out new incentive policies to open wider to the world and improve the business environment. The Group expects that its business will bottom out and resume growth in the coming year.

Management Discussion and Analysis

The Group will remain committed to the existing development strategy, and concentrate resources to build a nationwide medical and healthcare distribution platform. On the one hand, it will continue to expand and integrate new channel resources, including the integration of offline entities and online e-commerce. On the other hand, it will further enrich new product resources by selecting high-quality products among medicines, healthcare products, nursing products and functional foods, to rapidly increase the market share of distributed products, thus forming competitive products of the Group. At the same time, active efforts will be made to carry out cooperation, integrate industry resources and seek new development opportunities, thereby enhancing the Group's core competitiveness. The Board believes that through endeavors in the next few years, the Group will be able to get through difficulties, achieve rapid development and create maximum value for the shareholders.

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).

As at date of this report, capital of RMB15 million (approximately HK$16.3 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.

Management Discussion and Analysis

(ii) Acquisition and disposal of 51% equity interest in Golden Alliance Limited

On 2 December 2022, the Company and Mingcheng Wangda have entered into a cooperation framework agreement, pursuant to which the Company and Mingcheng Wangda intend to have close cooperation in various ways for distributing medical one health products. 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 (the "Sale Shares"), which is principally engaged in distribution and marketing of pharmaceutical products in the PRC through its indirectly wholly owned subsidiary (i.e. 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 (the "Consideration 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.

In the event that the audited consolidated net profit after tax of the target group for the financial year ending 31 March 2024 ("Actual Profit for FY2024") is less than RMB12,000,000, the purchaser has the right to reduce the consideration per the terms of the Agreement. Concurrently, the Purchaser shall have the right (but not the obligation) to terminate the Agreement with immediate effect, whereby (a) the purchaser is not required to pay any consideration to the vendors; and (b) the purchaser shall return the Sale Shares to the vendors (the "Sale Shares Return") and any related costs shall be borne by the vendors. Where the Sale Shares Return has been completed, the Agreement shall cease (the "First Exit Clause"). In the event that the Actual Profit for FY2024 is nil or negative, the purchaser is not required to pay any consideration to the vendors. Concurrently, the Agreement shall immediately cease (the "Second Exit Clause" together with the First Exit Clause, the "Exit Clauses").

The acquisition was completed on 16 June 2023.

Management Discussion and Analysis

The Actual Profit for FY2024 is RMB-6,332,000 (equivalent to approximately HK$-6,838,560), falling short of the guaranteed profit for FY2024 and the specified amount (i.e. RMB12,000,000) under the Exit Clauses. The purchaser decided to exercise the right to terminate under the Agreement with immediate effect under the Exit Clauses. On 23 April 2024, the purchaser issued the termination notice pursuant to terms of the Agreement. As a result, the Company shall no longer be obliged to issue any Consideration Shares and the promissory notes issued by the Company shall be cancelled and nullified with immediate effect from the date of the termination notice. Pursuant to the Agreement, where the Sale Shares Return has been completed, the Agreement and the obligations of the purchaser and the Company thereunder shall cease and determine. Upon the completion of the Sale Shares Return, Golden Alliance Limited will cease to be a subsidiary of the Company, and the Company will cease to hold any interest in the target group. The Sale Shares Return and disposal of Golden Alliance Limited has been completed on 23 April 2024.

Further details of the above has been disclosed in the announcements of the Company dated 6 February 2023, 26 April 2023, 31 May 2023, 16 June 2023 and 23 April 2024.

(iii) Acquisition of 100% equity interest in Jinmei Developments Limited

On 12 October 2023, Long Heng Investments Limited (as the purchaser), the Company, Ever True Ventures Limited (as the vendor) and Ms. Ma Xiaoming (as the guarantor) entered into the agreement in respect of acquisition of 100% equity interest in Jinmei Developments Limited, which is principally engaged in the research and development and sale of functional foods for the prevention of cardiovascular and cerebrovascular diseases through its wholly owned subsidiary namely 深圳市偉航奕寧生物科技有限公司 (Shenzhen Weihang Yining Biotechnology Co., Ltd), at the consideration of HK$146,000,000, which shall be satisfied by the issue of the promissory note by the Company.

Pursuant to the agreement, once a cross-default event occurs, the vendor is entitled to pursue claims against the purchaser based on the consideration note (with a par value of HK$146,000,000), and rank pari passu with the Company's other unsecured creditors (including those who attend and vote at any creditors' meeting held during the liquidation proceedings or debt repayment arrangement procedures of the Company) as permitted by applicable laws.

Management Discussion and Analysis

Pursuant to the agreement, once a cross-default event occurs, the vendor and the purchaser shall jointly designate and engage an independent third-party valuer as soon as practicable to assess the value of the target group, the result of which will be deemed as the value of the target group (the "Assessed Value of the Target Group"). Subject to the determination of the Assessed Value of the Target Group, the updated total consideration payable by the purchaser and the Company in relation to the acquisition of the Target Shares is the Assessed Value of the Target Group or HK$146,000,000, whichever is lower (the "Updated Total Consideration"). The Updated Total Consideration is final and binding on all parties. The capping amount of the consideration note held by the vendor as a requirement for future debt payments from the purchaser will be subject to the above Updated Total Consideration. The time for payment of the Updated Total Consideration shall be agreed upon by the vendor and the purchaser, and shall not be later than the maturity date of the consideration note. For the avoidance of doubt, the Updated Total Consideration does not affect the amount claimed by the vendor (being the par value of the notes of HK$146,000,000) in any court proceedings or creditors' meeting held during any liquidation or debt repayment arrangement procedures.

Pursuant to the respective sales and purchase agreement, the guarantor has irrevocably guaranteed to the purchaser and the Company that the actual profit for the year ending 31 December 2024 prepared in accordance with Hong Kong Financial Reporting Standards shall be not less than the guaranteed profit of RMB15 million (equivalent to approximately HK$16.1 million) and the actual profit for the year ending 31 December 2025 prepared in accordance with Hong Kong Financial Reporting Standards shall be not less than the guaranteed profit of RMB40 million (equivalent to approximately HK$42.8 million) respectively. In the event that the above profit guarantee is not achieved, the consideration shall be adjusted downwards by the adjusted amount as stated in the respective sales and purchase agreement. On 16 November 2023, the Company completed the acquisition with the issuance of promissory note of HK$146,000,000 to the vendor as the consideration of the acquisition. The promissory note is interest-free and will be matured on 27 February 2026 or the 14th business day after the issue of the audited accounts for the 2025 actual profit, whichever is later. The Company shall settle the principal amount of the promissory note on the maturity date subject to the guarantor paying the adjusted amount (if any) to the Company simultaneously.

Further details of the above have been disclosed in the announcements of the Company dated 12 October 2023, 1 November 2023, 15 November 2023 and 16 November 2023.

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

Management Discussion and Analysis

SIGNIFICANT INVESTMENT

The Group had no significant investment of carrying value of 5% or more of the total assets as at 31 March 2024 (2023: nil).

CAPITAL REDUCTION OF ISSUED SHARES, SUB-DIVISION OF UNISSUED SHARES AND REDUCTION OF SHARE PREMIUM

On 1 August 2023, the Board proposes the capital reduction of issued shares (the "Capital Reduction"), the sub-division of unissued shares (the "Sub-division") and the reduction of share premium (the "Share Premium Reduction") to be implemented in the following manner:

(i) the Capital Reduction whereby the par value of each of the issued shares will be reduced from HK$1.00 to HK$0.10 per issued share by cancelling the paid up share capital to the extent of HK$0.90 per issued share;

(ii) the Sub-division whereby each of the authorised but unissued shares with par value of HK$1.00 each will be sub-divided into ten (10) unissued new shares with par value of HK$0.10 each;

(iii) the Share Premium Reduction whereby the entire amount standing to the credit of the share premium account of the Company will be reduced to nil; and

(iv) upon the Capital Reduction and the Share Premium Reduction becoming effective, the credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended from time to time) to thereafter be applied towards inter alia offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction and the Share Premium Reduction in accordance with and as permitted by all applicable laws and the memorandum of association and bye-laws of the Company and as the Board considers appropriate.

Upon the Capital Reduction, the Sub-division and the Share Premium Reduction becoming effective, after the share subdivision of each authorised but unissued share of HK$1.00 into ten (10) new shares of HK$0.10 each, the authorised share capital will be HK$10,000,000,000 divided into 100,000,000,000 new shares of HK$0.10 each, of which 478,994,763 Shares will be issued new shares, and US$150 divided into preference shares of US$0.01 each. The authorised share capital of the Company shall remain at HK$10,000,000,000 and US$150 prior to and immediately after completion of the Capital Reduction, the Sub-division and the Share Premium Reduction. The par value of each of the 478,994,763 issued shares will be reduced from HK$1.00 to HK$0.10 per issued share by cancelling the paid up share capital to the extent of HK$0.90 per issued share by way of a reduction of capital, so as to form issued new shares with par value of HK$0.10 each, the Company's existing issued share capital of HK$478,994,763 will be reduced by HK$431,095,286.70 to HK$47,899,476.30.

Management Discussion and Analysis

The Capital Reduction, the Sub-division and the Share Premium Reduction became effective on 20 September 2023. Further details of the above have been disclosed in the announcements of the Company dated 1 August 2023, 18 September 2023 and 20 September 2023 and the circular of the Company dated 24 August 2023.

UPDATE OF USE OF PROCEEDS

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 placees. 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 alloted 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. All the net proceeds were utilised as planned as to (i) HK$13,800,000 as the general working capital of the Company; and (ii) HK$25,000,000 for business development and investment of the Group. 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.

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

FUND RAISING ACTIVITY

There were no fund raising activity during the year.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow during the year. As at 31 March 2024, the Group's cash and cash equivalents amounted to approximately HK$4 million (2023: HK$11.5 million). As at 31 March 2024, the current assets and net current assets of the Group are approximately HK$129.0 million (2023: HK$142.1 million) and HK$16.9 million (2023: HK$14.9 million) respectively, representing a current ratio of 1.15 (2023: 1.12).

Management Discussion and Analysis

As at 31 March 2024, the Group has certain bank loans, which were denominated in Renminbi, amounting to approximately RMB5 million (2023: RMB5 million) (approximately HK$5.5 million) (2023: HK$5.7 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 2023, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4 million (equivalent to approximately HK$31.2 million) was included in other payables and accrued expenses. As a result of the judgment issued by the Court and with reference to the legal opinion obtained by the Company, the Company has no obligation to repay the US$4 million Loan Note and the US$4 million Loan Note was recognised to profit or loss. Details of the above were disclosed in note 28 of these financial statements.

As at 31 March 2024, the gearing ratio was 0.11 (2023: 0.43), calculated by dividing dividend payable on redeemable convertible cumulative preference shares of nil (2023: HK$31.2 million) and bank borrowings of approximately HK$5.5 million (2023: HK$5.7 million) (representing debts owed by the Company) by equity attributable to owner of the Company of approximately HK$52.0 million (2023: HK$86.3 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 section headed "Other payables and accrued expenses" in note 28 of these financial statements.

CONTINGENT LIABILITIES

As at 31 March 2024, there were no material contingent liabilities of the Group (2023: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2024, there were no charge on the Group's assets (2023: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, the Group employed 127 employees (2023: 137). The total staff cost including Directors' emoluments and share based payment of nil (2023: HK$0.02 million) was approximately HK$15.7 million as compared to approximately HK$10.2 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. Share option schemes have also been established for employees of the Group. No share options were granted, lapsed or cancelled during the year. There were 19,050,000 outstanding share options as at 31 March 2024.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhang Fan, aged 59, 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 61, 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 30 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 67, 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, Hebei Hua'Ao 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 Hospital Mode".

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 President and General Manager of Hebei Hua'Ao Hospital of Zhangjiakou in January 2024. He implemented the enterprise, Intellectualization and standardization of hospital management according to his "Health 4.0 Mode". Through the reconstruction of the hospital organization, introducing of post competition, optimization of business process, and the adoption of total cost management, performance management and OKR management, he achieved the hospital staff reduction and efficiency increase, thus making a business growth of above 50% among a half of year. The hospital strived to achieve the goal of being "The national renowned 'Health 4.0' tertiary care hospital, topped in Zhangjiakou and pioneering in Hebei".

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 59, 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 43, 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 56, 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.

Biographical Details of Directors and Senior Management

Mr. Du Yanhua, aged 58, graduated from Wuhan University with a Bachelor degree in Virology and a Master degree in Radio Biophysics. He specializes in fields of biophysics, radiation biology and medicine, HIV/SIV vaccine design and construction, laboratory and primates animal immunization, drug and vaccine manufacture, verification of vaccine and clinical trials declaration. He was a research assistant and a lecturer from in College of Life Sciences, Wuhan University from 1987 to 1992 and from 1992 to 2006 respectively. He worked as researcher and engineer in Zheng Tai Technical & Trade Limited in Wuhan from 2001 to 2005. He was also a visiting research scholar in The Aaron Diamond AIDS Research Center, New York from 2006 to 2008 and a research assistant in Aids Institute, LKS Faculty of Medicine in The University of Hong Kong from 2008 to 2012. He has been a technical manager in the Aids Institute, LKS Faculty of Medicine in The University of Hong Kong since March 2012, a senior project manager of Immuno Cure Limited since May 2015 and the chief executive officer of Shenzhen Yike Biotechnical Limited since October 2017. He was appointed as independent non-executive director of the Company on 11 December 2017.

Mr. Lai Liangquan, aged 48, 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 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 23 years. He is familiar with domestic and international accounting standards and Hong Kong listing rules and has extensive experience in financial management and corporate governance. He was appointed as independent non-executive director of the Company on 5 March 2019.

SENIOR MANAGEMENT

Mr. Tsui Siu Hung Raymond, aged 47, is the company secretary of the Company. He joined the Group in June 2006. Mr. Tsui obtained a degree of Bachelor of Business Administration in Professional Accountancy from the Chinese University of Hong Kong in 1999. Mr. Tsui is a practising certified public accountant in Hong Kong. Mr. Tsui is a fellow member of the Association of the Chartered Certified Accountants and a fellow member of the HKICPA. Mr. Tsui has been a director and partner of Tsui & Partners CPA Limited, a registered firm of certified public accountants (practising) in Hong Kong since March 2014. Mr. Tsui has over 20 years of experience in auditing, accounting and company secretarial field.

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 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in distribution and service in medical equipment and consumables, provision of hospital operation and management service, business factoring and research and development and sale of functional food during the year. Save as commencement of business of research and development and sale of functional food, 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 14.

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 section "Other payables and accrued expenses" in the note 28 of the financial statements, there was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 March 2024.

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 section "Other payables and accrued expenses" in the note 28 of the financial statements, 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 2024 and the state of affairs at the date are set out in the consolidated financial statements on pages 74 to 175.

The directors do not recommend the payment of any dividend for the year ended 31 March 2024 (2023: 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 34 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 78 and 79.

DISTRIBUTABLE RESERVES

As at 31 March 2024, 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 15 and 18 of this annual report.

Report of the Directors

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

All non-executive Directors and independent non-executive Directors are not appointed for a specific term.

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

The remuneration of the Directors and the details of the 5 highest-paid employees of the Company and the Group are set out in note 15 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

Report of the Directors

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

As at 31 March 2024, 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	137,299,400(L)	800,000	138,099,400(L)	28.83%
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 135,992,000 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 2024, 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 2024
Treasure Wagon Limited *(Note 1)*	Beneficial owner	135,992,000 (L)	–	135,992,000 (L)	28.39%

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.

Report of the Directors

SHARE OPTION SCHEMES

The Company operated a share option scheme which was effective from 28 August 2012 with a period of 10 years from 28 August 2012 (the "2012 Share Option Scheme"). In light of the expiry of the 2012 Share Option Scheme, the Board had proposed to adopt a new share option scheme ("2023 Share Option Scheme"), which was approved by the shareholders of the Company on 18 September 2023. The 2023 Share Option Scheme was effective from 18 September 2023 and remains valid for a period of 10 years from 18 September 2023.

The 2023 Share Option Scheme is largely similar to the 2012 Share Option Scheme. The major differences between the 2023 Share Option Scheme and the 2012 Share Option Scheme are changes made to the terms of the 2023 Share Option Scheme to conform to the latest amendments to Chapter 17 of the Listing Rules. The purpose of the 2023 Share Option Scheme is to provide incentives and/or rewards to the eligible participants for their contribution to the growth of the Group. Further details of the 2023 Share Option Scheme were disclosed in the circular of the Company dated 24 August 2023 and note 36 of the financial statements.

The maximum number of ordinary shares of the Company issuable under share options to be granted under the 2023 Share Option Scheme is 47,899,476, representing 10% of the number of ordinary shares of the Company in issue as at 31 March 2024. The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

No share options have been granted, exercised, cancelled or lapsed under the 2023 Share Option Scheme for the period between 18 September 2023 and 31 March 2024. No share options were outstanding under the 2023 Share Option Scheme as at 31 March 2024.

Report of the Directors

The following table discloses details of options outstanding and movements under the 2012 Share Option Scheme during the year:

Name or category of participant	At 1 April 2023	Number of share options: Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2024	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
Directors											
Mr. Zhang Fan	400,000	–	–	–	–	–	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	400,000	–	–	–	–	–	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Chung Ho	3,000,000	–	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Wang Jingming	300,000	–	–	–	–	–	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Xing Yong	400,000	–	–	–	–	–	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	3,000,000	–	–	–	–	–	3,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35

Report of the Directors

		Number of share options									
Name or category of participant	At 1 April 2023	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2024	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
Mr. Huang Lianhai	300,000	–	–	–	–	–	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	2,000,000	–	–	–	–	–	2,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Jiang Xuejun	400,000	–	–	–	–	–	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	400,000	–	–	–	–	–	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Du Yanhua	300,000	–	–	–	–	–	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Lai Liangquan	300,000	–	–	–	–	–	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Subtotal	11,200,000	–	–			–	11,200,000				

Report of the Directors

		Number of share options									
Name or category of participant	At 1 April 2023	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2024	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
Employees	–	–		–	–	–	–	–	–	–	–
	650,000	–	–	–	–	–	650,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	100,000	–	–	–	–	–	100,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Others *(Note 1)*	800,000	–	–	–	–	–	800,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	6,300,000	–	–	–	–	–	6,300,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Total	19,050,000	–	–	–	–	–	19,050,000				

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.

Report of the Directors

There were no share-based payment expenses recognised during the year. In 2023, share-based payment expenses amounted to approximately 23,000 comprising of (i) HK$13,700 in respect of the Directors; (ii) HK$1,600 in respect of the directors of the subsidiaries of the Company; (iii) HK$1,000 in respect of the employees of the Group; and (iv) HK$6,700 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 176 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 20.51% and 58.77%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 13.26% and 36.44%, respectively, of the Group's total sales for the year.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EVENTS AFTER THE REPORTING PERIOD

Detail of the events after the reporting period are set out in note 40 to these financial statements.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held in September 2024. 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

27 June 2024

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 2024.

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 2024, 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 2024 except for certain deviation disclosed herein.

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

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 15 to 18 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 meeting*
Executive Directors					
Mr. Zhang Fan *(Chairman)*	4/4	N/A	N/A	1/1	1/1
Mr. Chung Ho	4/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Xing Yong	4/4	N/A	N/A	N/A	1/1
Mr. Huang Lianhai	4/4	N/A	N/A	N/A	0/1
Mr. Wang Jingming	4/4	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Mr. Jiang Xuejun	4/4	2/2	1/1	1/1	1/1
Mr. Du Yanhua	4/4	2/2	1/1	1/1	1/1
Mr. Lai Liangquan	4/4	2/2	1/1	1/1	1/1

* Being the annual general meeting held on 18 September 2023.

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) 8-12 (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 2024, 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 68 to 73 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 2024 is set out below:

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

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 2023 and interim results for the six months ended 30 September 2023 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 2024, 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 2024.

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 2023 to 31 March 2024. Such review is conducted annually. The scope of the Consultant's review was previously determined and approved by the Board and covered risk management process, expenditure requisition and revenue recognition processes as well as and resources, qualifications, and experience of staff of the accounting and financial reporting function. The Consultant has reported findings and areas for improvement to the Board. The Board is of the view that there are no material internal control defeats noted. All recommendations given by the Consultant will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board considers the risk management and internal control systems of the Group of the reporting year are effective and adequate.

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

Corporate Governance Report

COMPANY SECRETARY

During the year ended 31 March 2024, 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 proposed 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. Details of the proposed amendments were set out in the circular of the Company dated 24 August 2024. The amendments of the Bye-laws were approved by the shareholders of the Company and were effective from 18 September 2023.

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.

(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.

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.

Environmental, Social and Governance Report

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.

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.

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	• Compliance with applicable laws and regulations • Responsive for the government's latest policies and directives on healthcare	• Announcements and other regulatory reports

Stakeholders	Key concerns	Communication channel
Shareholders and investors	• Corporate governance • Development direction	• HKEx website and corporate website • Annual and interim report • Regular meetings
Employees	• Staff retention • Career progression and development	• Performance review • Orientation and training • Internal email
Customer (Healthcare facilities)	• Product and service quality • Business integrity	• Corporate website • Communication meetings
Suppliers	• Stable and uninterrupted supply of quality medical consumables and medical equipment • Qualifications and licenses • Service support	• Procurement process • Business communications • Engagement and cooperation
Community	Improving the community's awareness of public health and safety	• Industry events • Corporate social responsibility activities

6. Materiality Assessment

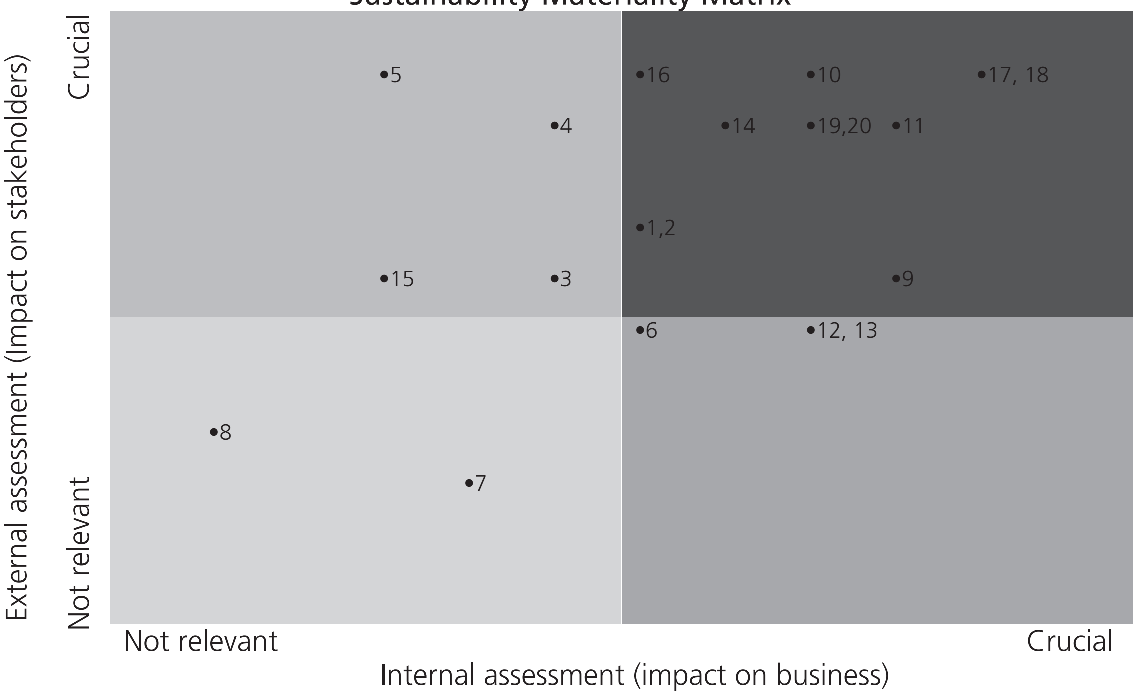
During the reporting period, the Group has actively conducted assessments on a number of environmental, social and operating items, and in-depth analysis of their importance to stakeholders and the Group through diversified channels. The assessment of such material matters not only helps to ensure that the Group's business objectives and direction can meet the expectations and requirements of stakeholders, but also provides the Group with valuable data support to make more informed decisions.

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. For these key areas, we will invest more resources and implement relevant measures to strengthen performance.

Environmental, Social and Governance Report

In addition, the Group will continue to pay close attention to corresponding policies and market changes, and actively seek various possible opportunities to further improve our ESG performance. We believe that such comprehensive and meticulous management approach will enable us to create greater value for our stakeholders and bring a wider positive impact to society.

Sustainability Materiality Matrix



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

7. Environmental protection

Sustainable development has become the common goal of mankind, and the Group always sticks to the idea of establishing a green and environmentally sustainable enterprise. In the practicing such idea, we are committed to integrating environmental, social and governance (ESG) principles into all levels of corporate operations.

Environmental, Social and Governance Report

In an effort to achieve resource conservation and efficient utilisation, we have rolled out a series of innovative measures. In addition to the rational use of traditional resources such as water and electricity, we have also strengthened employee training and awareness raising: we regularly arrange energy-saving trainings to improve employees' awareness of the importance of energy conservation and emission reduction, and encourage them to adopt energy-saving measures in their daily work; promote green procurement policies: during the procurement process, we give priority to energy-saving and environmentally friendly products and equipment to reduce energy consumption and environmental impact from the source; and strengthen intelligent energy management: use intelligent energy management systems to monitor and control energy use, and continuously optimise energy consumption through data analysis and real-time feedback.

We use energy-saving technologies and equipment to optimise the production process, improve energy use efficiency, and reduce waste generation.

We implement scientific and strict waste management strategies for all types of office waste and industrial waste generated in our business activities, which include the classification, recycling, reuse and safe disposal of waste, to ensure that such materials can be properly processed or converted into useful resources, thus minimising the burden on the environment.

In the future, the Group will continue to make environmental efforts, and explore and practice new green development models, so as to fulfill our firm commitment to environmental protection. With integrated resources, innovative management and active participation, we will contribute more to the sustainable development of the environment and play a more active role in promoting the realisation of global sustainable development goals.

(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. These mainly derive from 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.

Environmental, Social and Governance Report

To further reduce gas emissions, we implement the following measures:

- Green transportation initiative: we encourage employees to choose public transportation or participate in carpooling programs to reduce air pollutant emissions from personal car use;

- Vehicle electrification: we gradually introduce electric vehicles to replace traditional fuel ones to reduce air pollution and greenhouse gas emissions;

- Regular energy assessment: we conduct regular energy audits in order to identify and implement more opportunities for energy saving and emission reduction;

- Carbon footprint assessment and emission reduction targets: we regularly assess the carbon footprint of corporate activities, and set emission reduction targets and implement corresponding mitigation measures based on the assessment results.

Sewage treatment

Water consumed at hospitals is discharged to the designated water treatment facilities after strict treatment to ensure the compliance with environmental standards, so as to reduce the impact on the environment. The Group places high importance on fluid waste management and has adopted the following measures to limit employees' exposure to infectious fluid waste:

- Standardised procedures: we have developed strict liquid waste treatment procedures to ensure that all employees follow appropriate safety regulations and operating guidelines;

- Safety training: we regularly conduct liquid waste safety management training for employees to improve their understanding of biological hazards and self-protection capabilities;

- Special containers: liquid waste must be stored in leak-proof suction cans or other designated containers designed for the safe collection, transportation and storage of infectious fluid waste;

- Signage system: all containers of hazardous liquid waste must be clearly marked to warn of potential risks and ensure correct handling;

Environmental, Social and Governance Report

- Disposal at fixed sites: subject to safety inspections, containers of liquid waste are transported to appropriate locations for professional treatment or disposal to prevent cross-contamination and disease transmission;

- Partner: we work with a qualified waste disposal company to ensure proper and safe disposal of liquid waste, and compliance with all relevant laws and regulations.

Through these measures, we are committed to minimising the impact on the environment during hospital operations, while protecting the health and safety of our employees and community residents.

Wastes management

The wastes generated from the business operation are mainly medical wastes and general wastes. With regard to these two types of waste, we have adopted the following strict treatment measures:

- Medical waste disposal: all medical waste, including infectious waste, pathological waste, pharmaceutical and chemical waste, shall be delivered to qualified units of medical waste collection, transportation and disposal. These units are equipped with professional equipment and trained personnel to ensure that medical waste is incinerated uniformly and safely, reducing risks to the environment and public health;

- Supply chains and logistics for aesthetic drugs: climate change exerts pressure on global supply chains, in particular affecting the stable supply of aesthetic drugs. We are closely monitoring any weaknesses in our supply chain and optimising logistics strategies to mitigate the risk of supply disruptions caused by extreme weather events;

- Environmentally friendly design and reduction: we are committed to adopting environmentally friendly design in our business operations to reduce waste generation from the source. For example, we use recyclable or degradable materials and optimise packaging design to reduce unnecessary packaging waste;

- Employee training and awareness raising: we regularly conduct environmental protection and waste management training for our employees to enhance their awareness of waste classification and reduction, and encourage green practices in daily work and life;

Environmental, Social and Governance Report

- Supervision and improvement: we constantly monitor our waste disposal processes, and make adjustments and improvements based on the latest environmental regulations and technological advances to ensure that our waste are disposed in an efficient and environmental-friendly way.

We aim to minimise the impact of hospital operations on the environment while protecting community health and enhancing environmental quality.

Packaging materials

The Group is mainly engaged in distribution and service in medical equipment and consumables, provision of hospital operations and management service, business factoring and property investments. Due to the nature of our business, our operational process does not involve consumption of packaging materials or any business activity related to packaging materials.

Therefore, no packaging materials were consumed during the reporting period.

(2) Use of Resources

We attach great importance to environmental protection, with commitment to creating a corporate culture featuring green and environmental friendly. We highly emphasis the effective integration and economical use of resources, and advocate environmental office and green travel, thereby minimizing resource consumption and reducing damage to the environment. The Group is committed to providing customers with excellent services, while striving to maintain the adverse impact of operating activities on the environment at a minimal level.

In terms of electricity consumption management, we encourage employees to turn off all electricity equipment before the end of the shift, and set the air conditioning on conditions and temperature standards. We also post energy saving cue board in the office area to improve employees' environmental awareness. In addition, as the science and technology develops, more inductive lighting technology are adopted in the PRC to avoid unnecessary electricity consumption. The Group's offices in the PRC have also adopted induction lighting systems to minimize the use of electricity, which has received widespread support from employees, who work together to implement energy-saving measures.

Environmental, Social and Governance Report

In terms of paper usage, we encourage employees to effectively reduce paper consumption through online job communication such as email. At the same time, we implement duplex printing to reduce paper usage and recycle used paper to further improve resource usage efficiency.

In terms of water use management, we post water saving tips and posters in toilets and handwashing facilities to remind employees to cherish water resources. Meanwhile, we strengthen the daily maintenance and management of water use equipment and ensure timely repair of any damaged water supply pipeline and facility to avoid waste of water.

The Group makes active efforts to promote the concept of green office, in an aim to reduce the consumption of natural resources and mitigate the impact on the environment. We have set up teleconferences in the office and encourage employees to practice internet-meetings to reduce unnecessary business travels, thereby effectively diminishing the carbon emissions generated by transportation.

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

- Encouraging employees to participate in energy management: employees are provided with energy awareness education activities, and are encouraged to switch off unnecessary electrical appliances in their daily work to use natural light, and report any energy waste issues, so as to jointly create an energy-saving working environment;

- Installation of an automatic lighting control system: sensors and timers are installed to automatically control the interior and outdoor lighting so that the lights are turned on only when the room is in use, thus reducing unnecessary energy consumption;

- Promoting the use of energy-saving equipment: we actively purchase and apply products with energy-saving logo, such as LED lamps, energy-saving air conditioners and high-efficiency office equipment, which can effectively reduce energy consumption and carbon emissions.

Environmental, Social and Governance Report

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

Energy consumption	Unit	2024	2023
Electricity	kWh	**647,148**	487,987
Fuel	kWh	**187,027**	75,133
Energy consumption intensity	kWh/millions of revenue	**12,131**	7,369
Water	Tonne	**3,084**	2,775
Water consumption intensity	Tonne/millions of revenue	**45**	36

The consumption of non-hazardous waste in the recent two years is as follows:

Energy consumption	Unit	2024	2023
Non-hazardous waste	Tonne	**3.5**	4.8

There was no 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	2024	2023
Air emissions			
Nitrogen Oxides	kg	**33.9**	33.3
Particular matters	kg	**3.0**	3.2
Sulphur Oxides	kg	**0.3**	0.1

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**	**2024**	2023
Greenhouse gas emissions			
Scope 1	Tonne	**39**	16
Scope 2	Tonne	**369**	278
Total GHG emission	Tonne	**408**	294
GHG emission intensity	Tonne/millions of revenue	**5.9**	3.85

(5) Climate Change

The Group actively identifies and assesses the potential impacts of climate change in the context of our actual operations. As a professional distributor of medical equipment and consumables and an institution providing hospital operation and management services, we are exposed to numerous challenges and opportunities:

- Improvement required by environmental regulations: as the national environmental regulations become increasingly stringent, we must ensure that our business operations, product supply chain and service processes comply with such regulations to reduce the risk of any violation and protect the environment;

- Supply chains and logistics for aesthetic drugs: climate change exerts pressure on global supply chains, in particular affecting the stable supply of aesthetic drugs. We are closely monitoring any weaknesses in our supply chain and optimising logistics strategies to mitigate the risk of supply disruptions caused by extreme weather events

Environmental, Social and Governance Report

- Environmentally friendly concepts for aesthetic techniques and equipment: with the increasing public attention to sustainable development, the market demand for environmental-friendly aesthetic techniques and equipment has increased. We are committed to introducing and promoting aesthetic products that apply low energy consumed, high efficiency and environmental-friendly materials to meet market demand and expand our business scope;

- Unpredictable or extreme weather events due to climate change: extreme weather events such as floods, droughts and heat waves are becoming more frequent, which not only threatens public health, but also significantly affects the operation of medical equipment and the demand for consumables. Therefore, we are strengthening emergency plans and improving disaster recovery strategies to ensure quick response to climate-related emergencies.

The Group is comprehensively reviewing and adjusting our business strategies to ensure that we can make effective response to the challenges brought by climate change, while capturing new business opportunities and providing uninterrupted and sustainable services to our customers.

8. Employee Care

(1) Work Platform

Social employment

We recognise that the success of the Group depends critically on its ability to attract, develop and retain outstanding talents. Therefore, the Group adheres to fair and open recruitment practices and makes every effort to protect the rights and interests of employees.

Recruitment, promotion and compensation

In terms of recruitment, promotion and compensation, we reward our employees with competitive remuneration packages, along with ample promotional opportunities and benefits to attract and retain talents. Our remuneration level 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

To promote equal opportunities, diversity and anti-discrimination, the Group also advocates equal opportunities. Our remuneration schemes and job appraisals are based on the ability, specialty and working performance of each staff. The most noteworthy is that during the reporting period, the Group did not identify any non-compliance with regulations concerning employment and equal opportunity.

Environmental, Social and Governance Report

As an employer who adheres to the principle of equal opportunity, the Group is committed to creating a working environment that is free from discrimination. We ensure that all employees and job seekers are treated fairly in all employment practices, such as hiring, transfer, recruitment, training, promotion, discipline, rates of pay and benefits, regardless of ethnic group, gender, age, religion, nationality or disability. We strive to create a corporate culture and an atmosphere of equality, respect, diversity, inclusion and mutual support.

Workforce

As of 31 March 2024, the Group has 127 (2023: 137) full-time staff in PRC. Details are as follows:

Workforce	**Employee Distribution**	**Employee Turnover Ratio**
Gender		
Male	45	26%
Female	82	28%
Ranking		
Senior management	14	0%
Manager and supervisor	8	17%
General staff	105	31%
Age		
18-29	46	34%
30-39	24	31%
40-49	28	21%
50-59	15	19%
60 or above	14	15%

(2) Development and Training

The Group is committed to creating a dynamic environment 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 within the Group to meet their respective development needs.

For new joiners, we provide specific induction program to ensure that they can quickly familiarize themselves with and integrate into the Group's culture and practices. The Group places great emphasis on its employee training and has established a comprehensive training system. Its key principles consist of all members of the organization, to ensure that everyone is offered the opportunity to grow personally and professionally.

Environmental, Social and Governance Report

Details of the Group's training during the year are as follows:

Employees	Trained Number of employees	Trained Percentage	Average training hours completed
Gender			
Male	8	17.78%	8
Female	2	2.44%	8
Ranking			
Senior management	1	7.14%	8
Manager and supervisor	1	12.50%	8
General staff	8	7.62%	8

The Group has established an award system in an aim to provide professional trainings for experienced and eligible employees. Our policy clearly stipulates that every employee, including management, should attend training every year to maintain and enhance their professional capabilities. Further, the Group not only offers training time off for its employees, but also provides examination leaves allowance for those who take examinations, to encourage them to keep continuing education and lifelong learning and enhance vocational retraining. These measures are designed to support employees in their career progression and improve their overall job performance and satisfaction.

(3) Labor Standards

The Group has formulated a comprehensive human resources policy, which has been specified in the employee handbook and information materials provided to employees to ensure that every employee has gained a clear understanding of its human resources rules and expectations. Our human resources policy not only complies with basic labor laws and regulations, but also formulates and implements benefits beyond legal requirements as necessary to reflect our care and support for employees.

To promote diversity and equality, the Group adheres to the principle of non-discrimination in the recruitment process, and talents are selected only based on the performance, experience and skills. We actively encourage employees to discuss their career development and promotion goals with senior management in daily activities, and conduct performance appraisals at least once a year to support their career growth.

Environmental, Social and Governance Report

The Group firmly rejects the use of child labor or forced labor. To effectively prevent illegal employment practices, our human resources department requires all applicants to provide valid identification documents before any confirmed employment to ensure that they meet the legal working age and voluntarily join our team. During the reporting period, the Group was not aware of any violations of employment and labor laws and regulations, nor did it involve forced labor or the use of child labor, demonstrating our firm commitment and achievements in corporate social responsibility.

(4) Health and Safety

To protect the occupational health and safety of employees, the Group strives to create a safe, healthy and comfortable working environment. The Group complies with the Hong Kong Employees' Compensation Ordinance, the Labor Law of the People's Republic of China and other applicable regulations. Employees must strictly abide by all safety-related rules and regulations, and take appropriate protective measures in an accessible and available way pursuant to relevant laws and regulations, to avoid accidents and protect themselves and their colleagues from safety risks.

The Group complies with the health and safety requirements of the Occupational Safety and Health Ordinance and has established environmental control and hygiene requirements for workplace. To reduce the chance of employees contracting respiratory infections, we will issue influenza notifications as necessary to strengthen preventive measures, such as available sanitary masks and disinfectant hand sanitizers for employees.

There was no fatality or accident of the Group in the past three years. During the reporting period, the Group has no serious breach of laws and regulations on workplace health and safety that have a significant impact on the Group.

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 emphasis 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	2024	2023	2022
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

Our suppliers primarily consist of agents and distributors of pharmaceuticals, medical consumables and medical equipment. Suppliers are cautiously selected based on various criteria, including quality, reputation, price, product and service offerings and delivery capability. To ensure the compliance status and quality of the supply chain, we routinely assess the performance and creditworthiness of suppliers, and reconfirm their qualifications such as GMP (Good Manufacturing Practice) and/or GSP (Good Supply Practice) certificates. In addition, the Group will conduct reasonable due diligence investigations on suppliers to further ensure that they meet our requirements.

We are committed to establishing and maintaining long-term partnerships with suppliers, which not only helps ensure a stable supply of medical materials, but also procures suppliers to continue to provide product quality that meets their commitments and demonstrates their commitment to environmental protection. Our suppliers are all on an approved list after strict screening, which is reviewed and updated annually to ensure that all suppliers can meet our requirements for product quality and environmental protection.

In our daily operations, we pay special attention to the use of environmentally friendly materials, such as the use of paper and biodegradable items to reduce the impact on the environment.

During the Reporting Period, we did not identify any material risks and issues in supply chain management. We will continue to monitor and enhance the management of our supply chain in support of the Group's sustainable development goals.

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

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

During the Reporting Period, a total of 88 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 comprehensive measures to ensure customer satisfaction and the quality of our products. We have selected suppliers of medical devices and consumables, all of which are authorised by the municipal government and regulatory bodies to guarantee the legality of the source of the products and the reliability of their quality. In addition, every product manufactured and sold by the Group is in full compliance with the relevant provisions of the Product Quality Law of the People's Republic of China, and strictly adheres to national quality standards from source to end, ensuring that customers are provided with high-quality medical equipment and consumables that meet legal requirements.

Customer satisfaction

- Hospital operation and hospital management service business

  The Group deeply recognises the importance of patient complaint management in the continuous improvement of clinical safety and service quality. We regard every patient complaint as a valuable resource for improvement, which has been highly emphasized and handled seriously. For better practice of such concept, we have set up suggestion boxes at prominent positions in the hospital to actively encourage patients and their relatives to provide valuable feedback and share experience. It is worth mentioning that during the reporting period, we did not encounter any major medical dispute cases, which proves the effectiveness of our efforts in providing quality services.

Environmental, Social and Governance Report

In efforts to handle patients' medical records more professionally, the Group has a dedicated medical records management department in place. We strictly abide by all applicable laws and regulations related to patient privacy protection, including Guangdong Province Medical Records Writing and Management Specifications and Healthcare Institutions Medical Records Management Rules and other guiding documents. The hospitals have formulated strict management rules for the creation, maintenance, reviewing, copying, sealing or unsealing and preservation of patient medical records. These rules not only ensure the accuracy and integrity of medical records, but also protect these sensitive information from unauthorised access, processing, deletion, loss or use. Through this series of measures, we are committed to providing patients with a safe and confidential medical environment.

- Distribution and service in the medical equipment business

  The Group is committed to maintaining open and ongoing communications with customers and follows up seriously any complaints from its customers and other stakeholders. We believe that every customer feedback represents an opportunity to improve the quality of our services. During the reporting period, we did not receive any complaints about product quality or property management services. For complaints that may occur in the future, we will continue to adhere to the principle of handling each complaint separately, and implement necessary rectification or preventive measures based on the specific circumstances after a thorough investigation.

  At the same time, in order to effectively deal with potential product quality issues, the Group has developed a detailed product recall procedure. The procedure is designed to recall unqualified products quickly and in an orderly manner, and ensure the efficiency and effectiveness of the recall process, thus minimizing the impact on customers. Fortunately, there were no products that are required to be recalled for safety and health reasons during the reporting period. We promise to continue to maintain this standard to ensure that customers are enabled to use safe, healthy and high-quality products.

Privacy

Due to the nature of our service business, our employees are exposed to a large amount of patients' personal data, including sensitive health information, in their daily work. The Group fully recognises the importance of protecting patients' privacy and personal data and regards this as one of our core responsibilities.

Environmental, Social and Governance Report

To fully protect patients' personal data and strictly prevent any form of data leakage, we have formulated a comprehensive data protection policy in accordance with the Consumer Rights Protection Law and other relevant privacy protection regulations. These policies cover the entire process from data collection, processing to storage and destruction, and ensure that all employees have undergone rigorous trainings, and understand and comply with relevant laws and regulations and the Group's internal regulations.

In addition, we make use of advanced technical and physical security measures to protect patient data, to ensure that all personal information is stored and processed securely. We regularly review and enhance these security measures to address evolving cybersecurity threats.

During the reporting period, the Group did not record any non-compliance with laws and regulations relating to privacy, nor did it experience any data security incidents that could have a significant impact on the Group's reputation or finances. This achievement reflects our unwavering commitment to protecting patient privacy and data security, as well as our continued efforts in implementing and enforcing relevant policies.

(3) Intellectual Property Rights

The Group is committed to continuously strengthening the protection and management of intellectual property rights. We have established a dedicated team, which is responsible for the application, protection and management of intellectual property rights, and uniformly archiving and systematically managing the patents obtained by the Company to ensure the effective maintenance and application of intellectual property rights.

(4) Anti-corruption

The Group is fully aware that any events of corruption will bring irreparable and significant damage to the Group's reputation and operations. As such, we adhere to high standards of business integrity throughout our operations, and regard a sound ethical system and an effective anti-corruption regime as the foundation for supporting the Group's sustainable and healthy development.

Environmental, Social and Governance Report

To strictly implement the policies and procedures for the prevention and detection of money laundering and terrorist financing, the Group has implemented the following measures to prevent and detect these illegal activities:

- verify the identity of the client by reference to a reliable source of independent documentation, in order to gain a deeper understanding of the client's background and business activities;

- report any suspicious transactions to relevant government departments, to ensure the legality and transparency of all financial activities.

These measures are designed to protect the Group from risks associated with money laundering and terrorism financing and to ensure that our business practices comply with the highest legal and ethical standards.

Whistleblowing measures

In order to promote integrity and ensure the healthy development of the Group's business, we have formulated a series of policy guidance on employees' behaviours. These policies clearly prohibit the acceptance of gifts and any form of conflict of interest, aiming to further enhance employees' integrity awareness. The Group adopts a zero-tolerance attitude towards any unethical behaviours.

We have established comprehensive reporting and investigation procedures for relevant matters. Once any employee is found to have accepted any benefits from a customer or supplier, the Group will immediately terminate the employment contract with the employee. At the same time, we require employees to inform its relevant department head of any suspicious transactions immediately. If an employee is found to be in violation of corruption after investigation, 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 2024, no legal proceedings or disputes in respect of bribery, extortion, fraud or money laundering was charged against the Group and our employees.

Environmental, Social and Governance Report

10. Social Participation

(1) Community Investment

We believe that community investment is the core of achieving our corporate social responsibility. In light of this, we actively encourage and support our employees to devote their spare time to various volunteer services in a way that strengthens our support and development of the community. As a socially responsible enterprise, we have long been committed to social care activities through various channels and persist in practicing corporate social responsibility. During the reporting period, the Company not only invested resources to support social charities, but also actively organised and participated in several social welfare activities to demonstrate our commitment to society through concrete actions. The Group acts for the benefit of the community in its daily operations by integrating environmental protection concepts and sustainable development goals into its corporate culture and business operations, to ensure that our growth and social welfare are mutually reinforcing.

(2) Caring for the Community

We have a deep affection for society and shoulder the responsibility as a corporate citizen. We make active contributions to the harmony and progress of society by devoting ourselves to social charity undertakings and social welfare activities. We believe that the success of a business is closely linked to the healthy development of the community, and therefore we are committed to establishing and maintaining such mutually beneficial relationship.

In our business operations, community service is not an incidental option, but an important part of our core values. As a member of the healthcare industry, we pay special attention to enhancing the public health awareness and quality of life. To this end, we spare no effort to promote health knowledge, provide free medical consultations, and work with community partners to jointly carry out health promotion programs and disease prevention projects. These efforts not only help us establish a good social image, but also win wide respect and recognition within and beyond the community.

Environmental, Social and Governance Report

Appendix A

Compliance performance

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

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	Product Quality Law of the People's Republic of China	The Group had no material breach of laws and regulations
	Protection of Consumer Rights and Interests Law of the People's Republic of China	
	Company Law of the People's Republic of China	
	Contract Law of the People's Republic of China	
	Cybersecurity Law of the People's Republic of China	
	Advertising Law of the People's Republic of China	
Society, Anti-Corruption	Criminal law of the People's Republic of China	The Group had no material breach of laws and regulations
	Company Law of the People's Republic of China	
	Anti-Unfair Competition Law of the People's Republic of China	
	Anti-Money Laundering Law of the People's Republic of China	

Independent Auditor's Report

elite partners

TO THE SHAREHOLDERS 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 74 to 175, which comprise the consolidated statement of financial position as at 31 March 2024, 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 material accounting policy information.

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 2024, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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
Impairment assessment of goodwill, right-of-use assets, intangible assets and property, plant and equipment	
As at 31 March 2024, the Group's carrying amounts of goodwill, right-of-use assets, intangible assets and property, plant and equipment of approximately HK$25,633,000, HK$1,865,000, HK$1,073,000 and HK$18,238,000 respectively, which were allocated to three cash-generating units, namely (1) hospital operation and management service, (2) distribution and service in medical equipment and consumables and (3) research and development and sale of functional food (the "CGUs"). Significant judgments and estimates are required to determine the recoverable amounts of the CGUs, using appropriate key assumptions including expected growth in revenues, operating profit used to extrapolate the cash flows and the rate at which they are discounted. After the management assessment, management has concluded that impairment loss of goodwill and rights-of-use assets of approximately HK$13,831,000 and HK$636,000 were recognised respectively and no impairment loss was made in respect of intangible assets and property, plant and equipment during the year ended 31 March 2024. We identified impairment assessment of goodwill, right-of-use assets, intangible assets and property, plant and equipment a key audit matter because of their significance in amount presented in the consolidated financial statements and significant management judgment was used to appropriately identify the CGUs and to determine the key assumptions including estimated future income, operating margins and discount rates.	Our audit procedures in relation to impairment assessment of goodwill, right-of-use assets, intangible assets and property, plant and equipment included the following: – Assessed the management's identification of CGUs based on our understanding of the Group's operations; – 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 to assess whether the methodology and assumptions used were reasonable and appropriate; – Evaluated the competence, capabilities and objectivity of the independent external valuer taking into account its experience and qualifications; – Checked on a sample basis, the mathematical accuracy of calculations of the recoverable amounts of the CGUs; and – Assessed the sensitivity analysis on key assumptions being used in the cash flow projections.

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 2024, the Group had loan and interest receivables of approximately HK$46,243,000, net of allowance for credit losses. Impairment loss recognised on expected credit loss on loan and interest receivables of approximately HK$17,739,000 were charged to profit or loss during the year ended 31 March 2024. Management performed periodic assessment on the recoverability of the loan and interest receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, the aging profile of the loan and interest receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant debtors. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We had identified impairment of loan and interest receivables as a key audit matter because of the significant amount and significant judgments had to be made for the assessment of impairment under the expected credit loss model.	Our audit procedures in relation to the impairment assessment of loan and interest receivables included the following: – Understood and evaluated the modelling methodologies for expected credit losses measurement, assessed the reasonableness of the model selection and key measurement parameters determination; – Checked, on a sample basis, the aging profile of the loan and interest receivables as at 31 March 2024 to the underlying financial records and post year-end settlements to bank receipts; – Inquired of management for the status of each of the material loan and interest receivables past due at the end of the reporting period and corroborated explanations from management with supporting evidence, such as understood on-going business relationship with the debtors based on trade records, checked historical and subsequent settlement records of and other correspondence with the debtors; – Examinated the key data inputs in a sample basis to assess their accuracy and completeness, and challenge the assumptions, including both historical and forward-looking information, used to determine the expected credit losses; – Assessed the adequacy of the Group's disclosures in relation to loan and interest receivables included in the consolidated financial statements; and – Checked on a sample basis, the mathematical accuracy of calculations of the expected credit losses.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors 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 THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion is solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report (Continued)

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES 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 Wong Ho Kwan with practising certificate number P07543.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2024

Level 23,
YF Life Tower,
33 Lockhart Road,
Wan Chai,
Hong Kong

Consolidated Statement of Profit or loss

For the year ended 31 March 2024

		For the year ended 31 March	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
Revenue	*10*	**59,930**	76,414
Cost of sales		**(46,292)**	(49,222)
Gross profit		**13,638**	27,192
Other income	*11(i)*	**39,085**	1,041
Other loss, net	*11(ii)*	**(43,606)**	(21,407)
Share-based payment expense		**–**	(23)
Selling and distribution expenses		**(17,768)**	(11,726)
Administrative expenses		**(33,316)**	(28,267)
Finance costs	*12*	**(327)**	(2,193)
Share of loss of an associate		**–**	(4,000)
LOSS BEFORE TAX	*13*	**(42,294)**	(39,383)
Income tax expense	*14*	**(203)**	(177)
LOSS FOR THE YEAR		**(42,497)**	(39,560)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(40,187)**	(42,046)
Non-controlling interests		**(2,310)**	2,486
		(42,497)	(39,560)
LOSS PER SHARE	*16*		
Basic and diluted (cents)		**(8.45)**	(9.86)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2024

	For the year ended 31 March	
	2024	2023
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(42,497)**	(39,560)
Other comprehensive expense		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(3,375)**	(11,827)
Reclassification adjustment for disposal of foreign operations during the year	**(79)**	–
Other comprehensive expense for the year	**(3,454)**	(11,827)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(45,951)**	(51,387)
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	**(43,223)**	(53,451)
Non-controlling interests	**(2,728)**	2,064
	(45,951)	(51,387)

Consolidated Statement of Financial Position

As at 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**18,238**	21,300
Right-of-use assets	18	**1,865**	2,738
Intangible assets	19	**1,073**	–
Goodwill	20	**25,633**	37,880
Prepayment	25	**16,524**	17,132
Investment in an associate	21	**–**	–
		63,333	79,050
CURRENT ASSETS			
Inventories	23	**18,595**	11,666
Trade receivables	24	**30,043**	30,751
Prepayment, deposits and other receivables	25	**30,089**	29,020
Loan and interest receivables	22	**46,243**	59,218
Cash and bank balances	26	**4,013**	11,480
		128,983	142,135
CURRENT LIABILITIES			
Trade payables	27	**31,546**	24,117
Other payables and accrued expenses	28	**62,434**	74,886
Amounts due to directors	39	**6,875**	7,020
Contract liabilities	29	**5,111**	5,468
Lease liabilities	30	**147**	353
Contingent consideration	31	**–**	8,061
Bank borrowings	32	**5,508**	5,684
Tax payables		**486**	1,646
		112,107	127,235

Consolidated Statement of Financial Position (Continued)

As at 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
NET CURRENT ASSETS		**16,876**	14,900
TOTAL ASSETS LESS CURRENT LIABILITIES		**80,209**	93,950
NON-CURRENT LIABILITIES			
Contingent consideration	*31*	**20,325**	–
Deferred tax liabilities	*33*	**131**	–
		20,456	–
NET ASSETS		**59,753**	93,950
EQUITY			
Share capital	*34*	**47,899**	471,795
Reserves		**4,138**	(385,463)
Equity attributable to owners of the Company		**52,037**	86,332
Non-controlling interests		**7,716**	7,618
TOTAL EQUITY		**59,753**	93,950

Approved and authorised for issue by the Board of Directors on 27 June 2024 and are signed on its behalf by:

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

Consolidated Statement of Changes In Equity
For the year ended 31 March 2024

	Equity attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000 (note a)	Contributed surplus HK$'000 (note b)	Foreign currency translation reserve HK$'000 (note c)	Share options reserve HK$'000 (note d)	Other reserve HK$'000 (note e)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As 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)
Issue of consideration shares	17,800	2,136	–	–	–	–	–	19,936	–	19,936
Conversion of convertible bonds	40,000	246	–	–	–	–	–	40,246	–	40,246
Recognition of share–based payments	–	–	–	–	23	–	–	23	–	23
Forfeited of share options	–	–	–	–	(99)	–	99	–	–	–
As at 31 March 2023 and as at 1 April 2023	471,795	528,340	57,124	(8,397)	6,308	(10,304)	(958,534)	86,332	7,618	93,950
Loss for the year	–	–	–	–	–	–	**(40,187)**	**(40,187)**	**(2,310)**	**(42,497)**
Other comprehensive expense for the year	–	–	–	**(3,036)**	–	–	–	**(3,036)**	**(418)**	**(3,454)**
Total comprehensive expense for the year	–	–	–	**(3,036)**	–	–	**(40,187)**	**(43,223)**	**(2,728)**	**(45,951)**
Issue of consideration shares	**720**	**8,208**	–	–	–	–	–	**8,928**	–	**8,928**
Non-controlling interests arising on acquisition *(note 37)*	–	–	–	–	–	–	–	–	**(301)**	**(301)**
Disposal of subsidiaries *(note 38)*	–	–	–	–	–	–	–	–	**3,127**	**3,127**
Capital reorganisation	**(424,616)**	**(528,340)**	–	–	–	–	**952,956**	–	–	–
As at 31 March 2024	**47,899**	**8,208**	**57,124**	**(11,433)**	**6,308**	**(10,304)**	**(45,765)**	**52,037**	**7,716**	**59,753**

Consolidated Statement of Changes In Equity (Continued)

For the year ended 31 March 2024

(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.

(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 Medical Technology Development Co., Ltd. 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 2024

	2024	2023
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before tax	**(42,294)**	(39,383)
Adjustments for:		
Other interest income	**(6)**	–
Loan interest income	**(914)**	(439)
Finance costs	**327**	2,193
Depreciation of property, plant and equipment	**2,832**	3,114
Depreciation of right-of-use assets	**1,677**	1,038
Impairment loss recognised under expected credit loss model, net of reversal	**18,435**	3,486
Amortisation of intangible assets	**39**	–
Impairment loss recognised on non-financial assets	**14,467**	–
Loss on acquisition of subsidiaries	**313**	–
Gain on disposal of subsidiaries	**(3,311)**	–
Loss on disposal of property, plant and equipment	**–**	229
Reversal of other payables	**(31,200)**	–
Written off of property, plant and equipment	**125**	–
Share of loss of an associate	**–**	4,000
Change in fair value of contingent consideration	**13,856**	17,692
Share-based payments expense	**–**	23
Operating cash flow before movement in working capital	**(25,654)**	(8,047)
Change in inventories	**(7,613)**	816
Change in loan and interest receivables	**(7,302)**	(8,097)
Change in trade receivables	**(1,128)**	5,785
Change in prepayment, deposits and other receivables	**7,399**	(13,682)
Change in trade payables	**8,850**	4,947
Change in other payables and accrued expenses	**20,511**	(6,169)
Change in contract liabilities	**(169)**	4,518
Change in amounts due to directors	**108**	2,398
Net cash used in operations	**(4,998)**	(17,531)
Tax paid	**(1,405)**	(2,083)
Net cash used in operating activities	**(6,403)**	(19,614)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2024

	2024	2023
	HK$'000	*HK$'000*
Cash flows from investing activities		
Purchase of property, plant and equipment	**(624)**	(1,368)
Acquisition of investment in an associate	**–**	(4,000)
Proceeds from disposal of property, plant and equipment	**–**	162
Loan interest received	**–**	309
Bank interest received	**6**	–
Net cash outflow from acquisition of a subsidiaries	**386**	–
Net cash outflow from disposal of a subsidiaries	**(69)**	–
Net cash used in investing activities	**(301)**	(4,897)
Cash flows from financing activities		
Repayment of lease liabilities	**(1,035)**	(1,133)
Proceed from bank borrowings	**8,795**	7,977
Loan interest paid	**(229)**	(449)
Repayment of bank borrowings	**(8,770)**	(19,300)
Proceeds from issuance of convertible bonds	**–**	40,000
Net cash (used in)/generated from financing activities	**(1,239)**	27,095
Net (decrease)/increase in cash and cash equivalents	**(7,943)**	2,584
Effect of foreign exchange rate changes, net	**476**	359
Cash and cash equivalents at the beginning of the reporting period	**11,480**	8,537
Cash and cash equivalents at the end of the reporting period	**4,013**	11,480

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on 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 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, business service and research and development and sale of functional foods.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period.

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

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.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	*Insurance Contracts*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform-Pillar Two model Rules*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*

Impacts on application of Amendments to HKAS 1 and HKFRS *Practice Statement 2 Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to HKAS 1 and HKFRS *Practice Statement 2 Disclosure of Accounting Policies (Continued)*

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the note 5 to the consolidated financial statements.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's material accounting policies.

Except for disclosed above, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions 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 2024

4. AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangement*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024.

2 Effective for annual periods beginning on or after 1 January 2025.

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (the "CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of non-financial assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount.

Related parties

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

(a) A person, or a close member of that person's family, is related to the Group if 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;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are the members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of another entity (or of an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures 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 is identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

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

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases

The Group as a lessee

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

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.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits and other receivables, loan and interest receivables and bank balances). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bill receivables by using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss as part of the exchange gain/(loss), net.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss ("FVTPL").

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which HKFRS 3 applies.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and accrued expenses (excluded accrued staff cost), amounts due to directors, bank borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the in profit or loss as part of exchange gain/(loss), net for financial liabilities that are not part of a designated hedging relationship.

For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Borrowing cost

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than goodwill) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Distribution and service in medical equipment and consumables are recognised when control of the products has transferred, being when the products are delivered to a customer, as there is no further unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities at that point in time.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Revenue from the sales is recognised based on the prices specified in the contracts, without netting off the estimated sales return due to extremely low return rate from past records.

Sales to customers are normally made with credit terms up to 90 days from date of billing. Deposits received are recognised as contract liabilities.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Services income from provision of hospital operation and management services and business service are recognised over time when services are rendered. Services income from provision of hospital operation and management services and business service were calculated on services provided multiplied to a fixed fee. The normal credit term is up to 180 days upon services billed for hospital operation and management services while the normal credit terms is up to 30 days for business services.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “Other income”.

Employee benefits

Retirement benefit obligations

Payments to the Mandatory Provident Fund Scheme (the “MPF Scheme”) and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Employee benefits *(Continued)*

Retirement benefit obligations (Continued)

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 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 (the "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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Share-based payment transactions *(Continued)*

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.

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 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Segment reporting *(Continued)*

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's material accounting policies, which are described in note 5 to the consolidated financial statements, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. See Note 20 for further disclosure.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

6. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value measurement of financial instruments

As at 31 March 2024, Group's contingent consideration amounting to approximately HK$20,325,000 (2023: HK$8,061,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 31 for further disclosures.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortisation and accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Provision of ECL for financial assets measured at amortised costs

Trade receivables with significant balances or credit-impaired and all other financial assets measured at amortised costs are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's financial assets measured at amortised cost are disclosed in note 8 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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 years.

The capital structure of the Group consists of equity attributable to owners of the Company.

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

	2024	2023
	HK$'000	*HK$'000*
Financial assets:		
At amortised cost	**95,709**	114,670
Financial liabilities:		
At amortised cost	**103,651**	110,953
Contingent consideration at FVTPL	**20,325**	8,061

(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 payables, other payables and accrued expenses (excluded accrued staff cost), amounts due to directors, lease liabilities, contingent consideration and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, credit risk and impairment assessment, 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 2024

8. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment

The carrying amounts of and impairment assessment trade receivables, deposits and other receivables, loan and interest receivables and bank balance represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 March 2024 and 2023, 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 ECL model. The Group applies HKFRS 9 simplified approach to measuring ECL which uses a lifetime ECL for all trade receivables from initial recognition. To measure the ECL, 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.

Deposits and other receivables

The credit quality of the other receivables 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 reversal of impairment loss on expected credit loss of other receivables was approximately HK$34,000 (2023: impairment loss recognised of HK$336,000).

The average expected loss rate of deposits and other receivables is 1.26% (2023: 1.78%)

Loan and interest receivables

The directors estimate the estimated loss rates of loan and interest receivables based on historical credit loss experience of the debtors. Except for loan and interest receivables with the amounts (net of allowance of credit loss) of approximately HK$9,919,000 (2023: HK$3,947,000) where classified as loss, all other loan and interest receivables are classified as performing, watch list and doubtful as at 31 March 2024. Based on assessment by the directors, except for a loan and interest receivables (net of allowance of credit loss) of approximately of HK$9,919,000 (2023: HK$3,947,000), the loss given default is low in view of the history of default and the estimated realised amount of ultimate disposal of the collaterals. An allowance for credit losses of approximately HK$17,739,000 (2023: HK$4,039,000) was recognised during 31 March 2024.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

8. FINANCIAL INSTRUMENTS *(Continued)*

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

The Group only trades with recognised and creditworthy third parties. As at 31 March 2024, the Group has concentration of credit risk of 25% (2023: 1%) and 39% (2023: 19%) as the 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.

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 2024

8. FINANCIAL INSTRUMENTS *(Continued)*

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

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

	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount	Allowance for impairment	Net carrying amount
			HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2024					
Loan and interest receivables	Doubtful	Lifetime ECL – not credit-impaired	**51,418**	**(15,094)**	**36,324**
Loan and interest receivables	Loss	Lifetime ECL – credit-impaired	**20,005**	**(10,086)**	**9,919**
Trade receivables	Performing	Lifetime ECL – not credit-impaired	**31,559**	**(1,516)**	**30,043**
Deposits and other receivables	Performing	12m ECL	**15,606**	**(196)**	**15,410**
As at 31 March 2023					
Loan and interest receivables	Performing	12m ECL	8,131	(90)	8,041
Loan and interest receivables	Watch list	Lifetime ECL – not credit-impaired	53,019	(5,789)	47,230
Loan and interest receivables	Loss	Lifetime ECL – credit-impaired	5,636	(1,689)	3,947
Trade receivables	Performing	Lifetime ECL – not credit-impaired	31,571	(820)	30,751
Deposits and other receivables	Performing	12m ECL	13,461	(240)	13,221

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

8. FINANCIAL INSTRUMENTS *(Continued)*

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

As part of the Group's credit risk management, the Group uses past due 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).

As at 31 March 2024

	Average expected loss rate	**Gross carrying amounts**	**Loss allowance**
	%	*HK$'000*	*HK$'000*
Neither past due nor impaired	**1.0**	**15,443**	**161**
1 to 30 days past due	**1.0**	**5,753**	**58**
31 to 90 days past due	**3.4**	**8,663**	**291**
Over 90 days past due	**59.2**	**1,700**	**1,006**
		31,559	**1,516**

As at 31 March 2023

	Average expected loss rate	Gross carrying amounts	Loss allowance
	%	*HK$'000*	*HK$'000*
Neither past due nor impaired	–	16,966	–
1 to 30 days past due	–	9,764	–
31 to 90 days past due	17.0	784	133
Over 90 days past due	16.9	4,057	687
		31,571	820

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

8. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

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:

	2024				2023			
	Less than 1 year or on demand	**1-5 years**	**Total undiscounted cash flows**	**Carrying amount**	Less than 1 year or on demand	1-5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities								
Trade payables	**31,546**	**–**	**31,546**	**31,546**	24,117	–	24,117	24,117
Other payables and accrued expenses	**59,575**	**–**	**59,575**	**59,575**	73,779	–	73,779	73,779
Amounts due to directors	**6,875**	**–**	**6,875**	**6,875**	7,020	–	7,020	7,020
Lease liabilities	**156**	**–**	**156**	**147**	367	–	367	353
Bank borrowings	**5,662**	**–**	**5,662**	**5,508**	5,883	–	5,883	5,684
	103,814	**–**	**103,814**	**103,651**	111,166	–	111,166	110,953

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans receivables and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and loan prime rate arising bank 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

8. FINANCIAL INSTRUMENTS *(Continued)*

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 5% (2023: 5%) increase or decrease in variable-rate bank balances and bank borrowings are used to represent management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate arising from variable-rate bank balances is insignificant.

If interest rates had been 5% (2023: 5%) higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended 31 March 2024 would increase/decrease by approximately HK$275,000 (2023: decrease/increase by HK$284,000) respectively. This is mainly attributable to the Group's interest rates on its variable-rate bank borrowings.

(c) Fair value and fair value hierarchy

Fair value of financial assets and liabilities carried at other than fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate to their fair values.

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The reconciliation of fair value measurement of contingent consideration is set out in Note 31 to the consolidated financial statements.

Fair value change on contingent consideration is included in "other loss, net".

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

8. FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at 31 March 2024

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Contingent consideration	**–**	**–**	**20,325**	**20,325**

As at 31 March 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Contingent consideration	–	–	8,061	8,061

Information about level 3 fair value measurement

Financial liabilities	**Valuation technique**	**Significant unobservable input**	**Relation of significant unobservable inputs to fair value**
Contingent consideration	Monte Carlo Simulation method	Expected net profit	The fair value measurement is negatively correlated to the expected net profit

9. OPERATING SEGMENT INFORMATION

The Group's operating segments, based on information reported to the executive directors being the chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focus on types of goods or services delivered or rendered.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

9. OPERATING SEGMENT INFORMATION *(Continued)*

For management purposes the Group is organised into business units based on their products and services and has four (2023: three) reportable operating segments as follows:

– Distribution and service in medical equipment and consumables;

– Hospital operation and management services;

– Business service; and

– Research and development and sale of functional food.

The following is an analysis of the Group's revenue and results by operating segments for the year ended 31 March 2024 and 2023:

For the year ended 31 March 2024	Distribution and service in medical equipment and consumables	Hospital operation and management services	Business service	Research and development and sale of functional food	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
Revenue from external customers	**45,849**	**14,081**	**–**	**–**	**59,930**
Segment results	**382**	**(20,167)**	**(10,571)**	**(13,108)**	**(43,464)**
Reconciliation:					
Unallocated other income					**34,543**
Unallocated expenses					**(33,373)**
Loss before tax					**(42,294)**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

9. OPERATING SEGMENT INFORMATION *(Continued)*

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 revenue				
Revenue from external customers	54,238	21,215	961	76,414
Segment results	5,424	(455)	(3,991)	978
Reconciliation:				
Unallocated other income				1,930
Unallocated expenses				(42,291)
Loss before tax				(39,383)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by/(loss suffered) from each segment without allocation of central administration costs, unallocated other income, directors' emoluments 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 2024

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 2024 and 2023:

As at 31 March 2024

	Distribution and service in medical equipment and consumables	Hospital operation and management services	Business service	Research and development and sale of functional food	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**71,883**	**20,779**	**41,950**	**7,709**	**142,321**
Corporate and other unallocated assets					**49,995**
Total assets					**192,316**
Segment liabilities	**40,146**	**19,866**	**11,677**	**20,645**	**92,334**
Corporate and other unallocated liabilities					**40,229**
Total liabilities					**132,563**

As at 31 March 2023

	Distribution and service in medical equipment and consumables	Hospital operation and management services	Business service	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	46,195	16,859	79,666	142,720
Corporate and other unallocated assets				78,465
Total assets				221,185
Segment liabilities	24,082	21,508	1,181	46,771
Corporate and other unallocated liabilities				80,464
Total liabilities				127,235

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

9. OPERATING SEGMENT INFORMATION *(Continued)*

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.

Other segment information

For the year ended 31 March 2024

	Distribution and service in medical equipment and consumables	Hospital operation and management services	Business service	Research and development and sale of functional foods	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (other than prepayment)	408	573	–	3,998	1,268	6,247
Amortisation of intangible assets	–	–	–	39	–	39
Impairment loss/(reversal of impairment loss) recognised in respect of financial assets under expect credit loss model, net of reversal	(97)	107	8,110	26	10,289	18,435
Depreciation of property, plant and equipment	27	2,272	8	–	525	2,832
Depreciation of right-of-use assets	178	657	252	–	590	1,677

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

9. OPERATING SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

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 prepayment)	125	1,325	551	4,000	6,001
Impairment loss/(reversal of impairment loss) recognised in respect of financial assets under expect credit loss model, net of reversal	(507)	(36)	1,910	2,119	3,486
Loss on disposal of property, plant and equipment	–	229	–	–	229
Depreciation of property, plant and equipment	280	2,307	8	519	3,114
Depreciation of right-of-use assets	58	740	240	–	1,038

Geographical information

The Group's revenue were derived from the PRC and over 90% of the Group's non-current assets (excluded prepayment) were located in the PRC for both years, no geographical segment information in accordance with HKFRS 8 is presented.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

9. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

	2024	2023
	HK$'000	*HK$'000*
Customer A[1]	**8,739**	N/A[2]

1 Revenue from distribution and service in medical equipment and consumables.

2 The corresponding revenue did not contribute over 10% of total revenue of the Group.

Except for disclosed above, no other customer contributed over 10% of the Group's total revenue for both years.

10. REVENUE

	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Income from distribution and service in medical equipment and consumables*	**45,334**	54,238
Income from provision of hospital operation and management services*	**14,081**	21,215
Service fee income*	**515**	961
	59,930	76,414

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

Transaction allocated to the remaining performance obligation for contracts with customers

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, income from provision of hospital operation and management services and service fee 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

11. OTHER INCOME/OTHER LOSS, NET

	2024	2023
	HK$'000	HK$'000
(i) Other income:		
Loan interest income	914	439
Other interest income	6	–
Government grants *(Note (a))*	465	461
Commission income	3,365	–
Sales service income	3,050	–
Reversal of other payables *(Note 28)*	31,200	–
Sundry income	85	141
	39,085	1,041
(ii) Other (loss)/gain, net:		
Charge in fair value of contingent consideration	(13,856)	(17,692)
Impairment loss recognised on expected credit loss on loan and interest receivables	(17,739)	(4,039)
(Impairment loss recognised)/reversal of impairment loss on expected credit loss on trade receivables	(730)	889
Reversal of impairment loss/(impairment loss recognised) on expected credit loss on deposits and other receivables	34	(336)
Loss on disposal of property, plant and equipment	–	(229)
Impairment loss recognised in respect of right-of-use assets *(Note 18)*	(636)	–
Gain on disposal of subsidiaries *(Note 38)*	3,311	–
Loss on acquisition of subsidiaries *(Note 37)*	(313)	–
Impairment loss recognised in respect of goodwill *(Note 20)*	(13,831)	–
Others	154	–
	(43,606)	(21,407)

Note:

(a) During the year ended 31 March 2024, the Group recognised government grants of HK$465,000 (2023: HK$461,000) from PRC government for employment support. There were no unfulfilled conditions or contingencies relating to these government grants.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

12. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on lease liabilities	**98**	32
Interest on bank and other borrowings	**229**	449
Interest on convertible bonds	**–**	1,712
	327	2,193

13. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2024	2023
	HK$'000	*HK$'000*
Auditor's remuneration for audit services	**880**	880
Auditor's remuneration for non-audit services	**308**	270
Amortisation of intangible assets	**39**	–
Depreciation of right-of-use assets	**1,677**	1,038
Depreciation of property, plant and equipment	**2,832**	3,114
Expenses related to short-term leases	**922**	919
Written off of property, plant and equipment	**125**	–
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**14,014**	10,129
– Discretionary bonus	**1,544**	–
– Share-based payments expense	**–**	23
– Contributions to defined contribution retirement plans	**97**	51

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

14. INCOME TAX EXPENSE

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 are taxed at 8.25%, and assessable profits above HK$2 million are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are continued to be taxed at a flat rate of 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.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements for both years. Hong Kong Profits Tax is calculated at the rate 16.5% (2023: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made 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.

	2024	2023
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**215**	177
Deferred tax credit *(Note 33)*	**(12)**	–
	203	177

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024	2023
	HK$'000	*HK$'000*
Loss before tax	**(42,294)**	(39,383)
Tax at domestic income tax rate	**(10,795)**	(9,846)
Tax effect of non-taxable income	**(6,029)**	–
Tax effect of non-deductible expenses	**14,269**	1,165
Tax reduction	**(638)**	–
Estimated tax losses not recognised	**3,396**	8,858
Tax charge for the year	**203**	177

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

15. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

Directors' emoluments

Directors' and chief executive's remuneration for the year is as follows:

Year ended 31 March 2024

	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Contributions to retirement benefit schemes *HK$'000*	Share-based payments expense *HK$'000*	Total *HK$'000*
EXECUTIVE DIRECTORS					
Mr. Chung Ho	–	1,200	18	–	1,218
Mr. Zhang Fan *(Chairman)*	–	1,200	18	–	1,218
NON-EXECUTIVE DIRECTORS					
Mr. Xing Yong	300	–	–	–	300
Mr. Huang Lianhai	100	–	–	–	100
Mr. Wang Jingming	100	–	–	–	100
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Mr. Jiang Xuejun	100	–	–	–	100
Mr. Du Yanhua	100	–	–	–	100
Mr. Lai Liangquan	100	–	–	–	100
	800	2,400	36	–	3,236

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

Directors' emoluments *(Continued)*

Year ended 31 March 2023

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

During both years ended 31 March 2024 and 2023, 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 waived or agreed to waive any remuneration during the year. During the year ended 31 March 2024 and 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. 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 2024

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

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2023: three) were directors of the Company whose emoluments are presented above. Details of the remuneration for the year ended 31 March 2024 for remaining two (2023: two) highest paid employees who are not a directors are as follows:

	2024	2023
	HK\$'000	*HK\$'000*
Salaries, wages and other benefits	**260**	516
Discretionary bonus	**397**	–
Contributions to defined contribution retirement plans	**56**	31
	713	547

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	Number of employee	
	2024	2023
Nil to HK$1,000,000	**2**	2

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 2024 and 2023.

16. LOSS PER SHARE

	2024	2023
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(40,187)**	(42,046)

	2024	2023
	'000	*'000*
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**475,464**	426,574

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

16. LOSS PER SHARE (Continued)

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, diluted loss per share is same as basic loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Medical equipment	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicle	Software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:							
As at 1 April 2022	15,699	8,890	6,383	2,753	1,247	4,034	39,006
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)
As at 31 March 2023 and as at 1 April 2023	**14,515**	**8,770**	**6,154**	**2,672**	**231**	**3,901**	**36,243**
Addition	**–**	**232**	**274**	**89**	**10**	**19**	**624**
Acquisition of subsidiaries *(Note 37)*	**–**	**–**	**–**	**90**	**–**	**–**	**90**
Disposal of subsidiaries *(Note 38)*	**–**	**–**	**–**	**(90)**	**–**	**–**	**(90)**
Written off	**–**	**(34)**	**–**	**(122)**	**(214)**	**–**	**(370)**
Exchange realignment	**(515)**	**(311)**	**(218)**	**(95)**	**(9)**	**(139)**	**(1,287)**
As at 31 March 2024	**14,000**	**8,657**	**6,210**	**2,544**	**18**	**3,781**	**35,210**
Accumulated depreciation:							
As at 1 April 2022	1,044	6,091	2,857	1,876	437	1,345	13,650
Charged 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)
As at 31 March 2023 and as at 1 April 2023	**1,484**	**6,629**	**3,295**	**1,767**	**129**	**1,639**	**14,943**
Charged for the year	**500**	**1,136**	**625**	**200**	**4**	**367**	**2,832**
Disposal of subsidiaries *(Note 38)*	**–**	**–**	**–**	**(18)**	**–**	**–**	**(18)**
Written off	**–**	**(31)**	**–**	**(104)**	**(110)**	**–**	**(245)**
Exchange realignment	**(53)**	**(233)**	**(116)**	**(63)**	**(18)**	**(57)**	**(540)**
As at 31 March 2024	**1,931**	**7,501**	**3,804**	**1,782**	**5**	**1,949**	**16,972**
Carrying amounts:							
As at 31 March 2024	**12,069**	**1,156**	**2,406**	**762**	**13**	**1,832**	**18,238**
As at 31 March 2023	13,031	2,141	2,859	905	102	2,262	21,300

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

18. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leasehold buildings HK$'000	Medical equipment HK$'000	Total HK$'000
Cost:				
As at 1 April 2022	1,700	–	4,916	6,616
New leases entered	–	633	–	633
Exchange realignment	(127)	–	(370)	(497)
As at 31 March 2023 and as at 1 April 2023	**1,573**	**633**	**4,546**	**6,752**
Acquisition of subsidiaries *(Note 37)*	**–**	**1,169**	**–**	**1,169**
New leases entered	**–**	**366**	**–**	**366**
Termination of leases	**–**	**(105)**	**–**	**(105)**
Disposal of subsidiaries *(Note 38)*	**–**	**(1,173)**	**–**	**(1,173)**
Exchange realignment	**(56)**	**(18)**	**(161)**	**(235)**
As at 31 March 2024	**1,517**	**872**	**4,385**	**6,774**
Accumulated depreciation:				
As at 1 April 2022	148	–	3,070	3,218
Charged for the year	56	299	683	1,038
Exchange realignment	(11)	–	(231)	(242)
As at 31 March 2023 and as at 1 April 2023	**193**	**299**	**3,522**	**4,014**
Charged for the year	**54**	**966**	**657**	**1,677**
Impairment loss recognised	**–**	**636**	**–**	**636**
Disposal of subsidiaries *(Note 38)*	**–**	**(1,173)**	**–**	**(1,173)**
Termination of leases	**–**	**(105)**	**–**	**(105)**
Exchange realignment	**(7)**	**(9)**	**(124)**	**(140)**
As at 31 March 2024	**240**	**614**	**4,055**	**4,909**
Carrying amounts:				
As at 31 March 2024	**1,277**	**258**	**330**	**1,865**
As at 31 March 2023	1,380	334	1,024	2,738

The Group leases various office for its operations. Lease agreements are typically made for fixed period of 2-3 years. Lease terms are negotiated on an individual basis and contain a wide range of 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. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

The carrying amounts of the leasehold land which is located in the PRC under the medium-term lease where its office buildings. The Group is the registered owner of these leasehold land. Lump sum payments were made upfront to acquire these property interests from their previous owners, and there are no longer payments to be made under the term of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The leasehold land components of these owned properties are presented separately only if the payment can be allocated reliably.

In addition to the portfolio of short-term leases for office which are regularly entered into by the Group, whereby the Group entered into short-term leases for office during the years ended 31 March 2024 and 2023. As at 31 March 2024, there was HK$56,000 in relation to outstanding lease commitments relating to short-term leases.

The management of the Group determined that the recoverable amount of Golden Alliance Limited and its subsidiaries (the "Golden Alliance Group") was zero as a result of unpredictable future profit stream, operation of Golden Alliance Group and market development. As a result, right-of-use assets of Golden Alliance Group with the amounts of approximately HK$636,000 was impaired during the year ended 31 March 2024.

19. INTANGIBLE ASSETS

	Patent
	HK$'000
Cost:	
As at 1 April 2022, as at 31 March 2023 and as at 1 April 2023	–
Acquisition of subsidiaries *(Note 37)*	1,108
Exchange realignment	12
As at 31 March 2024	1,120
Accumulated amortisation:	
As at 1 April 2022, as at 31 March 2023 and as at 1 April 2023	–
Amortised for the year	39
Exchange realignment	8
As at 31 March 2024	47
Carrying amounts:	
As at 31 March 2024	**1,073**
As at 31 March 2023	–

The above intangible assets have finite useful lives. Such intangible asset are amortised on a straight-line basis over 12.73 years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

20. GOODWILL

	2024	2023
	HK$'000	*HK$'000*
Cost:		
As at 1 April	**37,880**	40,970
Arising from acquisition of subsidiaries *(Note 37)*	**2,890**	–
Exchange realignment	**(1,278)**	(3,090)
As at 31 March	**39,492**	37,880
Accumulated impairment:		
As at 1 April	**–**	–
Impairment loss recognised	**13,831**	–
Exchange realignment	**28**	–
As at 31 March	**13,859**	–
Carrying amounts	**25,633**	37,880

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

	2024	2023
	HK$'000	*HK$'000*
Hospital operation and management service	**8,890**	23,586
Distribution and service in medical equipment and consumables	**13,787**	14,294
Research and development and sale of functional food	**2,956**	–
	25,633	37,880

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

20. GOODWILL *(Continued)*

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 goodwill of 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, based on financial budgets approved by the management with pre-tax discount rate of 12.79% (2023: 14.32%) per annum. Cash flows beyond the 5-year period are extrapolated with 2% (2023: 2%) growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include revenue growth of 11% to 16% (2023: 5% to 14%). Such estimation is based on the CGU's past performance and management's expectations of the market development.

During the year ended 31 March 2024, management of the Group determined that impairment loss of approximately HK$13,831,000 (2023: nil) was recognised. As at 31 March 2024, if the pre-tax discount rate was changed to 13.43%, while other parameters remain constant, the recoverable amounts of the CGU would be reduced to approximately HK$25,874,000 and a further impairment of approximately $1,074,000 would be recognised for the year ended 31 March 2024. If the budgeted sales covering five-year period were reduced by 5%, while other parameters remain constant, the recoverable amounts would be reduced to approximately HK$12,438,000 and a further impairment of approximately $14,511,000 would be recognised for the year ended 31 March 2024. As at 31 March 2023, 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.

Distribution and service in medical equipment and consumables

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

The recoverable amount of the distribution and service in medical equipment and consumables CGU has been determined based on a value in use calculation and based on a valuation by an independent valuer. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with pre-tax discount rate of 17.43% (2023: 15.51%) per annum. Cash flows beyond the 5-year period are extrapolated with 2% (2023: 2%) growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include revenue growth of 8% (2023: 6%). Such estimation is based on the CGU's past performance and management's expectations of the market development.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

20. GOODWILL *(Continued)*

Distribution and service in medical equipment and consumables *(Continued)*

During the years ended 31 March 2024 and 2023, management of the Group determined that there were 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.

Research and development and sale of functional food

On 16 November 2023, the Group acquired 100% equity interest of Jinmei Developments Limited and goodwill of approximately HK$2,890,000 was recognised upon the acquisition.

The recoverable amount of the research and development and sale of functional food CGU has been determined based on a value in use calculation and based on a valuation by an independent valuer. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with pre-tax discount rate of 26.9% per annum. Cash flows beyond the 5-year are extrapolated with 2% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include revenue growth of 2%. Such estimation is based on the CGU's past performance and management's expectations of the market development.

During the year ended 31 March 2024, management of the Group determined that there was 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.

21. INVESTMENT IN AN ASSOCIATE

	2024	2023
	HK$'000	*HK$'000*
Cost of investment in associate	**4,000**	4,000
Share of post-acquisition loss and other comprehensive expense	**(4,000)**	(4,000)
	–	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

21. INVESTMENT IN AN ASSOCIATE *(Continued)*

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	
		2024	2023
Trillion Silver Limited	Hong Kong	**20%**	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.

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

	2024	2023
	HK$'000	*HK$'000*
Current assets	**61**	61
Current liabilities	**(1,792)**	(1,792)
Net liabilities	**(1,731)**	(1,731)
Loss and total comprehensive loss for the year	**–**	(5,737)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

21. INVESTMENT IN AN ASSOCIATE *(Continued)*

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

	2024	2023
	HK$'000	*HK$'000*
Net liabilities	**(1,731)**	(1,731)
Proportion of the Group's ownership interest	**20%**	20%
Share of net liabilities of the associate	**(346)**	(346)
Cost of investment	**4,000**	4,000
Less: impairment loss recognised	**(3,654)**	(3,654)
Carrying amount of investment in an associate	**–**	–

22. LOAN AND INTEREST RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Loan and interest receivables – unsecured	**46,243**	59,218

The maturity date of loan and interest receivables are as follows:

	2024	2023
	HK$'000	*HK$'000*
Within one year or matured	**46,243**	59,218

The above loan and interest receivables are denominated in Renminbi ("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 2024 and 2023, none of the covenants were breached.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

22. LOAN AND INTEREST RECEIVABLES *(Continued)*

The principal of the loan receivables are interest-bearing at 7% per annum for both years.

	12-month ECL	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2022	–	3,156	616	3,772
Transfer to lifetime ECL (credit-impaired)	–	(497)	497	–
Impairment loss recognised	90	3,372	577	4,039
Exchange realignment	–	(242)	(1)	(243)
As at 31 March 2023 and as at 1 April 2023	**90**	**5,789**	**1,689**	**7,568**
Transfer to lifetime ECL (credit-impaired)	**(87)**	**–**	**87**	**–**
Impairment loss recognised	**–**	**9,341**	**8,398**	**17,739**
Exchange realignment	**(3)**	**(36)**	**(88)**	**(127)**
As at 31 March 2024	**–**	**15,094**	**10,086**	**25,180**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

23. INVENTORIES

	2024	2023
	HK$'000	*HK$'000*
Finished goods	**18,595**	11,666

24. TRADE RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables arising from contracts with customers	**31,559**	31,571
Less: Allowance for credit losses	**(1,516)**	(820)
	30,043	30,751

The Group's normally provided credit period to its customers maximum up to 180 days.

As at 1 April 2022, trade receivables from contracts with customers (before allowance for credit losses) amounted to approximately HK$39,899,000.

An aging analysis of the trade receivables (net of allowance for credit losses) as at the end of the reporting period, based on earlier of the invoice date and revenue recognition date, is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 90 days	**11,964**	13,807
91 – 180 days	**3,308**	3,158
Over 180 days	**14,771**	13,786
	30,043	30,751

All of trade receivables were denominated in RMB for both years.

As at 31 March 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$14,761,000 (2023: HK$13,785,000) (net of allowance for credit losses) which are past due as at the reporting date. Out of the past due balances, HK$694,000 (2023: HK$3,370,000) has been past due 90 days or more and is not considered as in default due to good track record of the debtors with the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

24. TRADE RECEIVABLES *(Continued)*

Movement in the allowance for credit loss:

	Lifetime ECL (not credit-impaired)	
	2024	2023
	HK$'000	*HK$'000*
Balance at the beginning of the reporting period	**820**	1,743
Impairment loss recognised/(reversed)	**730**	(889)
Exchange realignment	**(34)**	(34)
Balance at the end of the reporting period	**1,516**	820

25. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Prepayment	**31,203**	32,931
Deposits	**4,969**	6,247
Other receivables	**10,441**	6,974
	46,613	46,152
Less: non-current position *(Note)*	**(16,524)**	(17,132)
	30,089	29,020

Deposits and other receivables with the amounts of approximately HK$11,529,000 were denominated in RMB as at 31 March 2024.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

Note: *(Continued)*

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).

Both parties agreed that the remaining capital of RMB15,000,000 (equivalents to approximately HK$16,524,000) will be paid by Zhongwei Health on or before 31 December 2024.

As at 31 March 2024 and 2023, the Group has been prepaid investment cost of RMB15,000,000 equivalents to approximately HK$16,524,000 (2023: RMB15,000,000, equivalents to approximately HK$17,132,000) and included in non-current portion. The investment will be completed upon the Group settled the remaining capital.

26. CASH AND BANK BALANCES

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

	2024	2023
	HK$'000	*HK$'000*
RMB	**3,377**	5,862
HK$	**636**	5,612
United States dollar ("US$")	**–**	6
	4,013	11,480

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 authorised to conduct foreign exchange business.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

27. TRADE PAYABLES

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

	2024	2023
	HK$'000	*HK$'000*
Within 1 month	**1,879**	1,288
1-3 months	**3,302**	1,560
Over 3 months but within 1 year	**26,365**	21,269
	31,546	24,117

All of trade payables were denominated in RMB for both years.

28. OTHER PAYABLES AND ACCRUED EXPENSES

	2024	2023
	HK$'000	*HK$'000*
Other payables *(Note)*	**34,960**	52,272
Accrued expenses	**27,474**	22,614
	62,434	74,886

Accrued expenses mainly comprised of accrued salaries of approximately HK$2,859,000 (2023: HK$1,107,000), accrued legal and professional fee of approximately HK$14,743,000 (2023: HK$11,289,000).

Other payables and accrued expenses with the amounts of approximately HK$32,960,000 (2023: HK$14,303,000) were denominated in RMB as at 31 March 2024.

Note:

As at 31 March 2023, US$4,000,000 (equivalent to approximately HK$31,200,000) were a dividend payable on redeemable convertible cumulative preference shares which is in dispute as detailed below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

Note: (Continued)

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$31.2 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.

Pursuant to the reasons for judgment handed down by the Court dated 29 March 2017, it was concluded that the Company has shown that there is bona fide dispute of the Alleged Outstanding Sum on substantial grounds and the presentation of a winding-up petition by Li Hong would be an abuse of process. The Court further commented that new information filed for the Company lend credence to the Company's case that the loan note dated 1 August 2015 to Li Hong (the "**Loan Note**") was in fact issued by the Company pursuant to a backdoor arrangement made or participated in by Mr. Li Zhong Yuan ("**Mr. Li**", a former executive Director and chairman of the Company) for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was a nominee for the purpose of receiving the Loan Note. As stated in the judgment, it follows that it must at least be open to serious argument that the Loan Note is not enforceable by Li Hong against the Company, because the issue of the Loan Note by the Company to Mr. Li's nominee (i.e. Li Hong) would involve a breach of fiduciary duty on Mr. Li's part of which Li Hong had knowledge. It was also mentioned in the judgment that Li Hong clearly does not have a valid cause of action against the Company based on a letter dated 31 July 2015 issued by Capital Foresight Limited ("**Capital Foresight**") and/or an agreement dated 23 November 2012 between the Company and Capital Foresight (the "**Capital Foresight Agreement**") being alleged evidence for the Statutory Demand as Li Hong is not a party to either of those documents and neither of those documents give rise to any contract or claim enforceable by Li Hong against the Company. Details of the above have been set out in the announcements of the Company dated 28 September 2016, 3 October 2016 and 30 March 2017 (the "**Litigation Announcements**").

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

Note: (Continued)

Further to the Statutory Demand and upon internal investigation, the Company believes that the US$4 million as set out in the Litigation Announcements belongs to the Company on the 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.

Based on the judgment for the 2549 & 2569 Action recently handed down by the Court on 20 December 2023, Capital Foresight's claim against the Company for the US$4 million Loan Note is dismissed by the Court. In dismissing Capital Foresight's claim in HCA 2569/2017 for the US$4 million Loan Note, the Court accepted that a maturity date was not agreed and the absence of any agreement as to the maturity date of the Loan Note to be issued is a flaw. In relation to the Company's claim in HCA 2549/2017, the Court considered that the Company failed to prove facts and matters which justify the Court drawing inferences that the Capital Foresight Agreement, the Loan Note and the subsequent negotiation of agreements between the Company and Capital Foresight and Capital Foresight and the sole shareholder of Li Hong evidence the backdoor arrangement and the Court rejected the claims against all three Defendants.

Capital Foresight has lodged an appeal in the Court of Appeal against the judgment and the appeal will be heard by the Court of Appeal on 27 August 2024.

As a result of the judgment issued by the Court and with reference to the legal opinion obtained by the Company, the Company has no obligation to repay US$4 million Loan Note to Capital Foresight and the US$4 million (equivalent to HK$31,200,000) Loan Note was recognised to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

Note: (Continued)

The Company will keep the shareholders informed of the latest material developments by making further announcement(s) as and when appropriate.

29. 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 2024 and 2023.

	2024	2023
	HK$'000	*HK$'000*
Balance as at 1 April	**5,468**	1,396
Revenue recognised from performance obligations satisfied during the year	**(30,008)**	(33,203)
Consideration received from sales of during the year	**29,846**	37,380
Exchange realignment	**(195)**	(105)
Balance as at 31 March	**5,111**	5,468

The Group classified these contract liabilities as current because the Group expects these balances to be settled in its normal operating cycle, which is within 12 months after the end of the reporting period.

All contract liabilities were denominated in RMB as at 31 March 2024 and 2023.

30. LEASE LIABILITIES

	2024	2023
	HK$'000	*HK$'000*
Within on year	**147**	353

As at 31 March 2024, the effective interest rates of the Group's lease liabilities ranged from 7.52% to 7.81% per annum (2023: 7.00% to 7.50%).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

30. LEASE LIABILITIES *(Continued)*

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.

All lease liabilities were denominated in RMB for both years.

The total cash outflows for leases for the year ended 31 March 2024 was HK$1,957,000 (2023: HK$2,052,000).

31. CONTINGENT CONSIDERATION

	2024	2023
	HK$'000	*HK$'000*
Current	–	8,061
Non-current	20,325	–
	20,325	8,061

	HK$'000	*HK$'000*
Balance as at 1 April	8,061	10,305
Issue of contingent consideration upon acquisition of subsidiaries *(Note 37)*	7,336	–
Issuance of new shares upon fulfilment of profit guarantee	(8,928)	(19,936)
Fair value change	13,856	17,692
Balance as at 31 March	20,325	8,061

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

31. CONTINGENT CONSIDERATION *(Continued)*

Pursuant to the sale and purchase agreement in the Beijing Youkang Acquisition, 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.

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 were issued in accordance with the sale and purchase agreement.

On 27 September 2023, the profit guarantee of Beijing Youkang for the year ended 31 March 2023 has been met and total of 7,200,000 ordinary shares were issued in accordance with the sale and purchase agreement.

On 16 June 2023, the Group completed to acquire 51% equity interest in Golden Alliance Group with the consideration of HK$153,000,000 (the "Golden Alliance Consideration"). The consideration will be settled in 3 instalments:

(i) HK$47,125,000 (the "Completion Consideration") by way of the issue of the first promissory note in the amount of HK$23,562,500 (the "First Promissory Note") and the second promissory note in the amount of HK$23,562,500 (the "Second Promissory Note") to the first vendor on the completion date. The First Promissory Note is interest-free and mature in 12 months; and the Second Promissory Note is interest-free and mature in 24 months. The repayment amount of the promissory notes are subject to the adjustments;

(ii) HK$52,937,500 (the "First Consideration") by way of the allotment and issue of up to 43,750,000 consideration shares (the "First Consideration Shares") subject to the adjustments at the issue price of HK$1.21 per consideration share by the Company to each of the vendors in proportion with their shareholding in the Golden Alliance Group immediately prior to completion within fourteen days after the issue of the audited financial statements for the year ended 31 March 2024; and

(iii) HK$52,937,500 (the "Second Consideration") by way of the allotment and issue of up to 43,750,000 consideration shares (the "Second Consideration Shares") subject to the adjustments at the issue price of HK$1.21 per consideration share by the Company to each of the vendors in proportion with their shareholding in the Golden Alliance Group immediately prior to completion within fourteen days after the issue of the audited financial statements for the year the year ending 31 March 2025.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

31. CONTINGENT CONSIDERATION *(Continued)*

Pursuant to the sales and purchase agreement in the acquisition of Golden Alliance Group, the profit guarantee for the Golden Alliance Group's net profit after tax for the year ended 31 March 2024 and for the year ending 31 March 2025 shall not be less than RMB35,000,000 (equivalent to approximately HK$40,600,000) and RMB47,000,000 (equivalent to approximately HK$54,520,000) respectively. In the event of guaranteed profit cannot be met, the shortfall amount, after multiplying by a factor, will be paid to the Company.

In the event that the actual profit for the year ended 31 March 2024 was less than RMB12,000,000, the Group has the right to reduce the First Consideration in accordance with the first adjustment. Concurrently, the Group have the right to terminate the agreement with immediate effect, whereby (a) the Group is not required to pay any consideration to the vendors; and (b) the Group shall return the sale shares to the vendors (the "Sale Shares Return") and any related costs shall be borne by the vendors. Where the Sale Shares Return has been completed, the agreement and the obligations of the Group and the Group's guarantor thereunder shall cease and determine, save as otherwise provided for therein (the "First Exit Clause").

In the event that the actual profit for the year ended 31 March 2024 is nil or negative, the Group is not required to pay any consideration to the vendors. Concurrently, the agreement and all the obligations of the Group and the Group's Guarantor thereunder shall immediately cease and determine, save as otherwise provided for therein (the "Second Exit Clause" together with the First Exit Clause, the "Exit Clauses").

The fair value of the Golden Alliance Group Consideration as at date of completion of nil.

The actual profit of Golden Alliance Group for the year ended 31 March 2024 was incurred a net loss, the profit guarantee was not met. On 23 April 2024, the Group exercised the First Exit Clauses.

On 16 November 2023, the Group completed to acquire 100% equity interest in Jinmei Developments Limited and its subsidiaries (the "Jinmei Group") with the consideration of HK$146,000,000 (the "Jinmei Consideration"). The Jinmei Consideration will be settled by issuing promissory note of HK$146,000,000. The promissory note is interest-free and will be matured on 27 February 2026 or the 14th business day after the issue of the audited accounts for the year ending 31 December 2025, whichever is later. The Company shall settle the principal amount of the promissory note on the maturity date subject to the guarantor paying the adjusted amount (if any) to the Company simultaneously.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

31. CONTINGENT CONSIDERATION *(Continued)*

Pursuant to the sales and purchase agreement in the acquisition of Jinmei Group, the profit guarantee for the Jinmei Group's net profit after tax for the years ending 31 December 2024 and 2025 shall not be less than RMB15,000,000 (equivalent to approximately HK$16,100,000) and RMB40,000,000 (equivalent to approximately HK$42,800,000) respectively. In the event of guaranteed profit cannot be met, the shortfall amount, after multiplying by a factor, the guarantor shall pay the adjusted amount (if any) to the Company simultaneously with the settlement of the promissory note on the maturity date.

In the event that the actual profits are less than RMB8,000,000 (equivalent to approximately HK$8,560,000), the Group shall have the right (but not the obligation) to terminate the agreement with immediate effect, save as otherwise provided for therein (the "Jinmei Group First Exit Clause").

If the actual profits are nil or negative, the agreement and all the obligations of the Group shall immediately cease and terminate, save as otherwise provided for therein (the "Jinmei Group Second Exit Clause", together with the Jinmei Group First Exit Clause, the "Jinmei Group Exit Clauses").

The fair value of the Jinmei Consideration as at date of completion of approximately HK$7,336,000.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. BANK BORROWINGS

	2024	2023
	HK$'000	*HK$'000*
Unsecured bank borrowings	**5,508**	5,684

As at 31 March 2024 and 2023, the Group's unsecured bank borrowings was denominated in RMB. The bank borrowings carried interest ranging from loan prime rate (the "LPR") plus a spread per annum and repayable within one year.

33. DEFERRED TAX LIABILITIES

The following is the movements of deferred tax liabilities during the current and prior year:

	Fair value adjustment on acquisition of subsidiaries
	HK$'000
As at 1 April 2022, as at 31 March 2023 and as at 1 April 2023	–
Arising on acquisition of subsidiaries *(Note 37)*	142
Credit to profit or loss *(Note 14)*	(12)
Exchange realignment	1
As at 31 March 2024	**131**

At the end of the reporting period, the Group had unused estimated tax losses of approximately HK$61,194,000 that will be expired within 5 years. No deferred tax assets has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

34. SHARE CAPITAL

	Number of shares		Amount	
	2024	2023	**2024**	2023
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.1 (2023: HK$1.0) each	**100,000,000**	10,000,000	**10,000,000**	10,000,000
Authorised:				
As at 1 April	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Sub-division *(note d)*	**90,000,000**	–	–	–
As at 31 March	**100,000,000**	10,000,000	**10,000,000**	10,000,000
Preference shares of US$0.01				
Authorised:				
As at 1 April/as at 31 March	**15**	15	**1**	1
Issued and fully paid ordinary shares:				
As at 1 April	**471,795**	4,139,948	**471,795**	413,995
Issue of consideration shares *(note a)*	**7,200**	178,000	**720**	17,800
Share consolidation *(note b)*	**–**	(3,886,153)	**–**	–
Conversion of convertible bonds *(note c)*	**–**	40,000	**–**	40,000
Capital reduction *(note d)*	**–**	–	**(424,616)**	–
As at 31 March	**478,995**	471,795	**47,899**	471,795

No preference shares were issued for both years.

Notes:

(a) 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.

On 27 September 2023, the profit guarantee of Beijing Youkang for the year ended 31 March 2023 has been met and total of 7,200,000 ordinary shares were issued according to the relevant agreement regarding the acquisition of the subsidiary. The fair value of the issue of consideration shares on 27 September 2023, which is based on the closing price of HK$1.24 per share as quoted on the Stock Exchange on 27 September 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

34. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(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.

(d) At a special general meeting of the Company held on 18 September 2023, a special resolution was passed to approve the following changes to the capital of the Company (the "Capital Reorganisation"):

(i) Capital reduction: (1) the par value of each of the issued shares be reduced from HK$1.0 to HK$0.1 per issued share by cancelling the paid-up share capital to the extent of HK$0.90 per issued share and the credit arising from the reduction of issued share capital of the Company be credited to the accumulated losses of the Company; and

(ii) Sub-division whereby each of the authorised but unissued Shares with par value of HK$1.00 each will be sub-divided into ten (10) unissued new shares with par value of HK$0.10 each.

The Capital Reorganisation was effected on 20 September 2023.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024	2023
	HK$'000	*HK$'000*
NON-CURRENT ASSET		
Investments in subsidiaries	**–**	–
CURRENT ASSETS		
Trade receivables	**–**	57
Prepayment, deposits and other receivables	**3,831**	3,964
Amounts due from subsidiaries	**38,646**	38,989
Cash and bank balances	**581**	5,600
	43,058	48,610

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

	2024	2023
	HK$'000	*HK$'000*
CURRENT LIABILITIES		
Other payables and accrued expenses	**25,174**	63,474
Amounts due to subsidiaries	**735**	735
Amount due to a director	**6,317**	–
Contingent consideration	**–**	8,061
	32,226	72,270
NET CURRENT ASSETS/(LIABILITIES)	**10,832**	(23,660)
TOTAL ASSETS LESS CURRENT LIABILITIES	**10,832**	(23,660)
NON-CURRENT LIABILITY		
Contingent consideration	**20,325**	–
NET LIABILITIES	**(9,493)**	(23,660)
EQUITY		
Share capital	**47,899**	471,795
Reserves *(Note)*	**(57,392)**	(495,455)
Total capital deficiencies	**(9,493)**	(23,660)

Signed on behalf the board of directors:

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

Note:

Movement of the Company's reserve are as follow:

	Share premium	Contributed surplus	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2022	525,958	57,124	6,384	(1,060,198)	(470,732)
Loss and total comprehensive loss for the year	–	–	–	(27,128)	(27,128)
Issue of consideration shares	2,136	–	–	–	2,136
Conversion of convertible bonds	246	–	–	–	246
Recognition of share-based payment	–	–	23	–	23
Forfeited of share option	–	–	(99)	99	–
As at 31 March 2023 and as at 1 April 2023	**528,340**	**57,124**	**6,308**	**(1,087,227)**	**(495,455)**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**5,239**	**5,239**
Issue of consideration shares	**8,208**	**–**	**–**	**–**	**8,208**
Capital reorganisation	**(528,340)**	**–**	**–**	**952,956**	**424,616**
As at 31 March 2024	**8,208**	**57,124**	**6,308**	**(129,032)**	**(57,392)**

36. 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 2024

36. SHARE OPTIONS SCHEME *(Continued)*

Pursuant to the resolution passed at annual general meeting of the Company held on 18 September 2023, a new share option scheme (the "2023 Scheme") was adopted by the Company.

The previous shame option scheme of the Company (the "2012 Scheme") was expired on 28 August 2022, no further options can be granted under the 2012 Scheme thereafter. However, all outstanding share option granted under 2012 Scheme prior to the said expiry shall remain valid and exercisable in accordance with the provisions of the 2012 Scheme.

The 2023 Scheme become effective for a period of 10 years commencing on 18 September 2023.

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; (iii) contribute by way of introduction of new business to the Group, provide effort to promote the interest of the group and benefit for the long-term growth of the Group.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

36. SHARE OPTIONS SCHEME *(Continued)*

Details of the specific categories of options are as follows:

	Option C	Option B	Option A
Grant date	20 October 2020	26 April 2019	19 May 2017
Vesting Period *(Note a)*	20 October 2020	(T1) 26 April 2019 to 27 April 2020 (T2) 26 April 2019 to 27 April 2021 (T3) 26 April 2019 to 27 April 2022	19 May 2017
Exercise period	21 October 2021 to 20 October 2031	(T1) 27 April 2020 to 26 April 2030 (T2) 27 April 2021 to 26 April 2031 (T3) 27 April 2021 to 26 April 2032	19 May 2017 to 18 May 2022
Exercise price at date of grant	HK$0.18	HK$0.18	HK$0.18
Price of the Company's shares at the date of grant *(Note b)*	HK$0.036	HK$0.0792	HK$0.1706

Notes:

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

36. SHARE OPTIONS SCHEME *(Continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2024 and 31 March 2023:

	Director		Employee/eligible person	
	Weighted average exercise price *(HK$)*	**Number of share option**	**Weighted average exercise price** *(HK$)*	**Number of share option**
As at 1 April 2022	0.18	113,000,000	0.18	130,400,000
Adjusted during the year	N/A	(101,700,000)	N/A	(81,000,000)
Forfeited during the year	0.18	(100,000)	0.18	(41,550,000)
As at 31 March 2023, as at 1 April 2023 and as at 31 March 2024	**1.8**	**11,200,000**	**1.8**	**7,850,000**

The number of share options and exercise prices had been adjusted as a result of completion of share consolidation on 8 August 2022.

The total number of securities available for issue under the share option scheme(s) of the Company as at 31 March 2024 was 19,050,000 shares (2023: 19,050,000 shares) which represented 3.98% (2023: 4.04%) of the ordinary shares of the company in issue on 31 March 2024.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

36. SHARE OPTIONS SCHEME *(Continued)*

The following table discloses details of options outstanding and movements during the year ended 31 March 2024:

Name or category of participant	As at 1 April 2023	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2024	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
	Number of share options										
Directors											
Mr. Zhang Fan	400,000	–	–	–	–	–	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	400,000	–	–	–	–	–	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Chung Ho	3,000,000	–	–	–	–	–	3,000,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Wang Jingming	300,000	–	–	–	–	–	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Xing Yong	400,000	–	–	–	–	–	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	3,000,000	–	–	–	–	–	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 2024

36. SHARE OPTIONS SCHEME *(Continued)*

The following table discloses details of options outstanding and movements during the year ended 31 March 2024: *(Continued)*

Name or category of participant	Number of share options: As at 1 April 2023	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2024	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
Mr. Huang Lianhai	300,000	–	–	–	–	–	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	2,000,000	–	–	–	–	–	2,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Jiang Xuejun	400,000	–	–	–	–	–	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	400,000	–	–	–	–	–	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Mr. Du Yanhua	300,000	–	–	–	–	–	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Mr. Lai Liangquan	300,000	–	–	–	–	–	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
Subtotal	11,200,000	–	–	–	–	–	11,200,000				

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

36. SHARE OPTIONS SCHEME *(Continued)*

The following table discloses details of options outstanding and movements during the year ended 31 March 2024: *(Continued)*

Name or category of participant	As at 1 April 2023	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2024	Exercise period of share options	Exercise price of share options	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options
	Number of share options								*HK$*		*HK$*
Employees	650,000	–	–	–	–	–	650,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	100,000	–	–	–	–	–	100,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Others *(note)*	800,000	–	–	–	–	–	800,000	27 April 2020 to 25 April 2029	1.8	26 April 2019	0.79
	6,300,000	–	–	–	–	–	6,300,000	21 October 2020 to 20 October 2030	1.8	20 October 2020	0.35
Total	19,050,000	–	–	–	–	–	19,050,000				

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

36. 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	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
	At 1 April 2022	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2023		*HK$*		*HK$*
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 2024

36. SHARE OPTIONS SCHEME *(Continued)*

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

Name or category of participant	At 1 April 2022	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2023	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
	Number of share options										
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 2024

36. SHARE OPTIONS SCHEME *(Continued)*

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

	Number of share options										
Name or category of participant	At 1 April 2022	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed/ forfeited during the year	Reclassified during the year	As at 31 March 2023	Exercise period of share options	Exercise price of share options *HK$*	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options *HK$*
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)*	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	243,400,000	–	–	(182,700,000)	(41,650,000)	–	19,050,000				

Note: 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 2024

36. 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 grate 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.

The Group recognised the total expense of approximately nil for the year ended 31 March 2024 in relation to share options granted by the Company (2023: HK$23,000)

37. ACQUISITION OF SUBSIDIARIES

Acquisition of Golden Alliance Group

On 16 June 2023, the Group completed to acquire 51% equity interest in Golden Alliance Group with the consideration of HK$153,000,000 (the "Golden Alliance Consideration"). Golden Alliance Group was engaged in engaged in the sales and distribution of medicines and related products in the PRC and is the exclusive distributor for the Ximuming Products in the PRC. The consideration will be settled in 3 instalments:

(i) HK$47,125,000 (the "Completion Consideration") by way of the issue of the first promissory note in the amount of HK$23,562,500 (the "First Promissory Note") and the second promissory note in the amount of HK$23,562,500 (the "Second Promissory Note") to the first vendor on the Completion Date. The First Promissory Note is interest-free and mature in 12 months; and the Second Promissory Note is interest-free and mature in 24 months. The repayment amount of the Promissory Notes upon their maturity are subject to the adjustments;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of Golden Alliance Group *(Continued)*

(ii) HK$52,937,500 (the "First Consideration") by way of the allotment and issue of up to 43,750,000 consideration shares (the "First Consideration Shares") subject to the adjustments at the issue price of HK$1.21 per consideration share by the Company to each of the vendors in proportion with their shareholding in the Golden Alliance Group immediately prior to completion within fourteen days after the issue of the audited financial statements for the year ended 31 March 2024; and

(iii) HK$52,937,500 (the "Second Consideration") by way of the allotment and issue of up to 43,750,000 consideration shares (the "Second Consideration Shares") subject to the adjustments at the issue price of HK$1.21 per consideration share by the Company to each of the vendors in proportion with their shareholding in the Golden Alliance Group immediately prior to completion within fourteen days after the issue of the audited financial statements for the year ending 31 March 2025.

Pursuant to the sales and purchase agreement in the acquisition of Golden Alliance Group, the profit guarantee for the Golden Alliance Group's net profit after tax for the year ended 31 March 2024 and for the year ending 31 March 2025 shall not be less than RMB35,000,000 (equivalent to approximately HK$40,600,000) and RMB47,000,000 (equivalent to approximately HK$54,520,000) respectively. In the event of guaranteed profit cannot be met, the shortfall amount, after multiplying by a factor, will be paid to the Company.

Acquisition-related costs of approximately HK$734,000 have been included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024.

Fair value of consideration transferred:

	HK$'000
Fair value of contingent consideration	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of Golden Alliance Group *(Continued)*

Assets and liabilities recognised at the date of acquisition:

	HK$'000
Property, plant and equipment *(Note 17)*	90
Right-of-use assets *(Note 18)*	1,169
Loan and interest receivables	3,291
Prepayment, deposits and other receivables	6,269
Cash and bank balances	364
Other payables and accrued expenses	(315)
Amounts due to the group companies	(10,422)
Lease liabilities	(1,060)
Net liabilities acquired of	(614)

Goodwill arising on acquisition:

	HK$'000
Fair value of contingent consideration	–
Less: recognised amounts of net liabilities acquired	614
Non-controlling interests	(301)
Loss on acquisition of subsidiaries	313

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of Golden Alliance Group *(Continued)*

Net cash inflow on acquisition

	HK$'000
Cash consideration paid	–
Less: cash and bank balances acquired	364
Net cash inflow	364

Acquisition of Jinmei Group

On 16 November 2023, the Group completed to acquire 100% equity interest in Jinmei Group with the consideration of HK$146,000,000 (the "Jinmei Consideration"). The consideration will be settled by issuing promissory note of HK$146,000,000. The promissory note is interest-free and will be matured on 27 February 2026 or the 14th business day after the issue of the audited accounts for the year ending 31 December 2025, whichever is later. The Company shall settle the principal amount of the promissory note on the maturity date subject to the guarantor paying the adjusted amount (if any) to the Company simultaneously. Jinmei Group was engaged in the research and development and sale of functional foods for the prevention of cardiovascular and cerebrovascular diseases.

Pursuant to the sales and purchase agreement in the acquisition of Jinmei Group, the profit guarantee for the Jinmei Group's net profit after tax for the years ending 31 December 2024 and 2025 shall not be less than RMB15,000,000 (equivalent to approximately HK$16,100,000) and RMB40,000,000 (equivalent to approximately HK$42,800,000) respectively. In the event of guaranteed profit cannot be met, the shortfall amount, after multiplying by a factor, the guarantor shall pay the adjusted amount (if any) to the Company simultaneously with the settlement of the promissory note on the maturity date.

Acquisition-related costs of approximately HK$600,000 have been included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024.

Fair value of consideration transferred:

	HK$'000
Fair value of contingent consideration *(Note 31)*	7,336

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of Jinmei Group *(Continued)*

Assets and liabilities recognised at the date of acquisition:

	HK$'000
Intangible assets *(Note 19)*	1,108
Prepayment, deposits and other receivables	3,669
Cash and bank balances	22
Other payables and accrued expenses	(211)
Deferred tax liabilities *(Note 33)*	(142)
Net assets acquired of	4,446

Goodwill arising on acquisition:

	HK$'000
Fair value of contingent consideration	7,336
Less: recognised amounts of net assets acquired	(4,446)
Goodwill arising on acquisition	2,890

Goodwill arose on the acquisition of Jinmei Group because the acquisition included the assembled workforce of Jinmei Group and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

Net cash inflow on acquisition

	HK$'000
Cash consideration paid	–
Less: cash and bank balances acquired	22
Net cash inflow	22

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

Impact of acquisition on the results of the Group

Included in the loss for the year is approximately HK$6,191,000 and HK$3,960,000 attributable to the additional business generated by Golden Alliance Group and Jinmei Group respectively. No revenue was generated from Golden Alliance Group and Jinmei Group respectively.

Had the acquisition of Golden Alliance Group and Jinmei Group been completed on 1 April 2023, revenue for the year of the Group would have been approximately HK$59,930,000, and loss for the year would have been approximately HK$43,570,000. 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 2023, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had Golden Alliance Group and Jinmei Group been acquired at the beginning of the current year, the directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

38. DISPOSAL OF SUBSIDIARIES

On 23 April 2024, the Group ceased to hold the entire equity interests in Golden Alliance Group by executed the exit right and the Exit Clause pursuant to the terms of the sales and purchase agreement in the acquisition of Golden Alliance Group. The Group has no longer be obligated to settled the Completion Consideration and no consideration is received on the disposal. This was an adjusting event as a result of the known effect of Golden Alliance Group was incurred a net loss as at 31 March 2024. The net liabilities of Golden Alliance Group at the date of disposal were as follows:

Consideration transferred:

	HK$'000
Cash consideration received	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment *(Note 17)*	72
Loan and interest receivables	8,712
Prepayment, deposits and other receivables	540
Prepaid tax	48
Cash and bank balances	69
Trade payables	(260)
Other payables and accrued expenses	(1,076)
Amounts due to the group companies	(14,093)
Lease liabilities	(529)
Net liabilities disposed of	(6,517)

Gain on disposal of subsidiaries

	HK$'000
Cash consideration received	–
Less: net liabilities disposed of	6,517
Less: non-controlling interests	(3,127)
Less: Reclassification of cumulative foreign translation reserve upon disposal of Golden Alliance Group to profit or loss	(79)
Gain on disposal	3,311

Net cash outflow arising on disposal

	HK$'000
Consideration received	–
Less: cash and bank balances disposed of	(69)
Net cash outflow	(69)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

39. RELATED PARTY TRANSACTIONS

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

(a) Compensation of key management personnel of the Group are set out in note 15 to the consolidated financial statements.

(b) The amounts due to directors were unsecured, interest-free and repayable on demand.

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 23 April 2024, the Group exercised the First Exit Clause to terminate the agreement of acquisition of Golden Alliance Group. Upon exercise the First Exit Clause, the Group disposed the equity interest of Golden Alliance to the original vendors. As a result, the Group no longer obliged to pay the contingent consideration to original vendors and Golden Alliance Group was no longer be the subsidiaries of the Group.

41. 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	**Convertible bonds**	**Bank borrowings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2022	850	–	17,617	18,467
Non cash changes:				
Interest expenses incurred *(Note 12)*	32	1,712	449	2,193
New leases entered *(Note 18)*	633	–	–	633
Conversion of convertible bonds	–	(41,712)	–	(41,712)
Exchange realignment	(29)	–	(610)	(639)
Financing cash inflows	–	40,000	7,977	47,977
Financing cash outflows	(1,133)	–	(19,749)	(20,882)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Lease liabilities	Convertible bonds	Bank borrowings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2023 and as at 1 April 2023	353	–	5,684	6,037
Non cash changes:				
Interest expenses incurred *(Note 12)*	98	–	229	327
New leases entered *(Note 18)*	366	–	–	366
Acquisition of subsidiaries *(Note 37)*	1,060	–	–	1,060
Disposal of subsidiaries *(Note 38)*	(529)	–	–	(529)
Exchange realignment	(166)	–	(201)	(367)
Financing cash inflows	–	–	8,795	8,795
Financing cash outflows	(1,035)	–	(8,999)	(10,034)
As at 31 March 2024	147	–	5,508	5,655

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries are as follows:

Name of Company	Place/country of incorporation/ registration and operations	Class of shares held	Issued and fully paid share capital/ 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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

Name of Company	Place/country of incorporation/ registration and operations	Class of shares held	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
北京英智明商貿有限公司 (Beijing Yingzhiming Trading Co., Ltd) *(Note b)*	PRC	Registered capital	RMB1,000,000	–	100%	Distribution and service in medical equipment
中衛健康產業(深圳)有限公司 (Zhongwei Health Industries (Shenzhen) Co., Ltd) *(Note a)*	PRC	Registered capital	HK$75,000,000	–	100%	Investment holding/ Healthcare Hospital management service
中衛國際融資租賃(深圳)有限公司 (Zhongwei International Finance Lease (Shenzhen) Co., Ltd) *(Note a)*	PRC	Registered capital	US$30,000,000	–	100%	Business service
北京中衛康融醫院管理有限公司 (Beijing Zhongwei Kangrong Hospital Management Co., Ltd) *(Note b)*	PRC	Registered capital	RMB10,000,000	–	100%	Hospital management service
馬格瑞茲(武漢)醫療技術發展有限公司 (Mageruizi (Wuhan) Medical Technology Development Co., Ltd) *(Note b)*	PRC	Registered capital	RMB5,000,000	–	87.75%	Distribution and service in medical equipment and consumables
安平康融醫院有限公司 (Anping Kangrong Hospital Co., Ltd) *(Note b)*	PRC	Registered capital	RMB500,000	–	100%	Hospital operation
北京佑康建業醫療器械有限公司 (Beijing Youkang Jianye Medical Equipment Co., Ltd.) *(Note b)*	PRC	Registered capital	RMB25,000,000	–	60%	Distribution in medial equipment and consumables
深圳市偉航奕寧生物科技有限公司 (Shenzhen Weihang Yinning Biotechnology Co., Ltd.) *(Note a)*	PRC	Registered capital	RMB5,000,000	–	100%	Research and development and sale of functional food

Notes:

(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 reporting period or at any time during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

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

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

	Beijing Youkang Jianye Medical Equipment Co., Ltd	
	2024	2023
	HK$'000	*HK$'000*
As at 31 March		
Non-current assets	**288**	88
Current assets	**58,039**	41,783
Current liabilities	**(42,341)**	(26,960)
Net assets	**15,986**	14,911
Carrying amounts of non-controlling interests	**6,394**	5,965
Year ended 31 March		
Revenue	**45,187**	48,881
Expenses	**(46,788)**	(55,524)
Loss for the year	**(1,601)**	(6,643)
Total comprehensive expense for the year	**(1,073)**	(5,960)
Loss attributable to non-controlling interests	**(640)**	(2,657)
Total comprehensive expense to non-controlling interests	**(429)**	(2,384)
Net cash flow inflow/(outflow) from:		
– operating activities	**2,030**	(3,547)
– investing activities	**(42)**	(90)
– financing activities	**(392)**	5,565
Net cash inflow	**1,596**	1,928

Except for Beijing Youkang Jianye Medical Equipment Co., Ltd, the directors considered that the Group's other non-controlling interests were insignificant to the Group and they are not separately presented in these consolidated financial statements for both year. In addition, no separate financial information of these non-wholly owned subsidiaries is required to be presented.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

43. NON-CASH TRANSACTIONS

The Group entered into the following major non-cash investing activities which are not reflected in the consolidated statement of cash flows:

On 16 March 2023, the Group's 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.

On 27 September 2023, as a result of the profit guarantee of Beijing Youkang for the year ended 31 March 2023 has been met and total of 7,200,000 ordinary shares were issued to settle the contingent consideration with the amounts of approximately HK$8,928,000.

On 16 June 2023, the Group completed to acquire 51% equity interest in Golden Alliance Group. The Golden Alliance Consideration was settled by issuing of contingent consideration subject to adjustments for which no actual cash was transferred to the vendor.

On 16 November 2023, the Group completed to acquire 100% equity interest in Jinmei Group. The Jinmei Consideration was settled by issuing of contingent consideration subject to adjustments for which no actual cash was transferred to the vendor.

During the year ended 31 March 2024, the Group entered into new leases agreements for the use of office. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK$366,000 (2023: HK$633,000) respectively.

On 23 April 2024, the Group ceased to hold the entire equity interests in Golden Alliance Group by executed the exit right and the Exit Clause. The Group has no longer be obligated to settled the Completion Consideration and no consideration is received on the disposal. This was an adjusting event as a result of the known effect of Golden Alliance Group was incurred a net loss as at 31 March 2024.

44. COMPARATIVE FIGURES

Certain comparative figures has been reclassified to conform to current years' presentation.

45. 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 27 June 2024.

Financial Summary

	Year ended 31 March				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**59,930**	76,414	107,025	87,889	45,160
Loss before tax	**(42,294)**	(39,383)	(8,709)	(5,331)	(34,340)
Income tax expense	**(203)**	(177)	(405)	(1,228)	(1,435)
Loss for the year	**(42,497)**	(39,560)	(9,114)	(6,559)	(35,775)
Loss for the year attributable to:					
Owners of the Company	**(40,187)**	(42,046)	(12,205)	(7,744)	(36,679)
Non-controlling interests	**(2,310)**	2,486	3,091	1,185	904
	(42,497)	(39,560)	(9,114)	(6,559)	(35,775)

	As at 31 March				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**192,316**	221,185	225,957	217,818	196,831
Total liabilities	**(132,563)**	(127,235)	(140,825)	(117,832)	(96,097)
Net assets	**59,753**	93,950	85,132	99,986	100,734