



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

INTERIM REPORT



CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Fan
Mr. Chung Ho
Mr. Xing Yong

NON-EXECUTIVE DIRECTORS

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
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AUDITORS

Beijing Xinghua Caplegend CPA Limited
1/F, GR8 Inno Tech Centre,
No. 46 Tsun Yip Street,
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LEGAL ADVISER

Jones Day
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North Ceder House
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Hamilton HM 12
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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STOCK CODE

673

COMPANY WEBSITE

<http://www.ch-groups.com>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	Six months ended 30 September	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
REVENUE	5	18,680	28,268
Cost of good sold/services rendered		<u>(16,687)</u>	<u>(23,233)</u>
GROSS PROFIT		1,993	5,035
Other income	6	535	2,357
Other (losses)/gain, net	6	(4,272)	30
Selling and distribution expenses		(3,141)	(8,430)
Administrative expenses		(12,638)	(14,489)
Fair value change of contingent consideration		–	(864)
Finance costs	7	(84)	(124)
LOSS BEFORE TAX		(17,607)	(16,485)
Income tax expense	8	(17)	(56)
LOSS FOR THE PERIOD	9	(17,624)	(16,541)
Other comprehensive loss after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(506)	(5,535)
Other comprehensive loss for the period, net of tax		(506)	(5,535)
Total comprehensive loss for the period		(18,130)	(22,076)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2024

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Loss for the period attributable to:		
Owners of the Company	(17,387)	(15,060)
Non-controlling interests	(237)	(1,481)
	<u>(17,624)</u>	<u>(16,541)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(17,893)	(19,965)
Non-controlling interests	(237)	(2,111)
	<u>(18,130)</u>	<u>(22,076)</u>
Loss per share attributable to owners of the Company		
Basic and diluted (<i>HK cents</i>)	10 (3.59)	(3.19)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	30 September 2024	31 March 2024
Notes	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	17,674	18,238
Right-of-use assets	1,443	1,865
Intangible assets	1,086	1,073
Goodwill	25,633	25,633
Prepayments	16,440	16,524
	<hr/> 62,276	<hr/> 63,333
Total non-current assets		
CURRENT ASSETS		
Inventories	19,033	18,595
Trade receivables	<i>11</i> 23,922	30,043
Prepayments, deposits and other receivables	33,729	30,089
Loan and interest receivables	<i>12</i> 45,788	46,243
Cash and bank balances	2,409	4,013
	<hr/> 124,881	<hr/> 128,983
Total current assets		
CURRENT LIABILITIES		
Trade payables	<i>13</i> 29,149	31,546
Other payables and accruals	<i>14</i> 67,053	62,434
Contract Liabilities	6,208	5,111
Lease liabilities	61	147
Income tax payable	88	486
Amount due to a director	7,243	6,875
Bank borrowing	5,480	5,508
	<hr/> 115,282	<hr/> 112,107
Total current liabilities		

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2024

	30 September 2024	31 March 2024
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NET CURRENT ASSETS	9,599	16,876
TOTAL ASSETS LESS CURRENT LIABILITIES	71,875	80,209
NON-CURRENT LIABILITIES		
Contingent consideration	20,325	20,325
Deferred tax liabilities	131	131
Total non-current liabilities	20,456	20,456
NET ASSETS	51,419	59,753
EQUITY		
Equity attributable to owners of the Company		
Share capital	15 49,164	47,899
Reserves	(5,224)	4,138
Non-controlling interests	43,940	52,037
	7,479	7,716
TOTAL EQUITY	51,419	59,753

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2024

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(11,538)	(14,890)
NET CASH FLOWS GENERATED FROM/ (USED IN) INVESTING ACTIVITIES	220	(271)
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	9,768	7,072
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,550)	(8,089)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(54)	(136)
CASH AND CASH EQUIVALENTS AT 1 APRIL	4,013	11,480
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	2,409	3,255

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Attributable to owners of the Company									
	Share capital	Share premium*	Contributed surplus*	Foreign currency translation reserve*	Share options reserve*	Other reserve*	Accumulated losses*	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2023 (Audited)	471,795	528,340	57,124	(8,397)	6,308	(10,304)	(958,534)	86,332	7,618	93,950
Loss for the period	-	-	-	-	-	-	(15,060)	(15,060)	(1,481)	(16,541)
<i>Other comprehensive loss for the period</i>										
Exchange differences on translating foreign operations	-	-	-	(4,905)	-	-	-	(4,905)	(630)	(5,535)
Total comprehensive loss for the period, net of tax	-	-	-	(4,905)	-	-	(15,060)	(19,965)	(2,111)	(22,076)
Capital reorganisation	(424,616)	(528,340)	-	-	-	-	952,956	-	-	-
Issue of consideration shares	720	8,205	-	-	-	-	-	8,925	-	8,925
Non-controlling interests arising on acquisition	-	-	-	-	-	-	-	-	(299)	(299)
At 30 September 2023 (Unaudited)	47,899	8,205	57,124	(13,302)	6,308	(10,304)	(20,638)	75,292	5,208	80,500
At 1 April 2024 (Audited)	47,899	8,208	57,124	(11,433)	6,308	(10,304)	(45,765)	52,037	7,716	59,753
Loss for the period	-	-	-	-	-	-	(17,387)	(17,387)	(237)	(17,624)
<i>Other comprehensive loss for the period</i>										
Exchange differences related to foreign operations	-	-	-	(506)	-	-	-	(506)	-	(506)
Total comprehensive loss for the period, net of tax	-	-	-	(506)	-	-	(17,387)	(17,893)	(237)	(18,130)
Subscription of shares	1,265	8,531	-	-	-	-	-	9,796	-	9,796
At 30 September 2024 (Unaudited)	49,164	16,739	57,124	(11,939)	6,308	(10,304)	(63,152)	43,940	7,479	51,419

* These reserve amounts comprise the consolidated deficiency in reserves of approximately HK\$5,224,000 (31 March 2024: consolidated surplus of approximately HK\$4,138,000) in the consolidated statement of financial position.

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business is located at Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

2. BASIS OF PREPARATION

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

The accounting policies and the basis of preparation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except for when otherwise indicated.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2024. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. OPERATING SEGMENT INFORMATION

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

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

- (i) Distribution and service in medical equipment and consumables;
- (ii) Hospital operation and management services;
- (iii) Business service; and
- (iv) Research and development and sale of functional food.

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 30 September 2024 and 2023.

	Distribution and service in medical equipment and consumables		Hospital operation and management services		Business service		Research and development and sale of functional food		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue										
Revenue from external customers	<u>13,209</u>	<u>21,808</u>	<u>5,471</u>	<u>6,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,680</u>	<u>28,268</u>
Segment results	<u>(667)</u>	<u>(1,253)</u>	<u>(3,218)</u>	<u>(3,135)</u>	<u>(1,716)</u>	<u>(588)</u>	<u>(351)</u>	<u>-</u>	<u>(5,952)</u>	<u>(4,967)</u>
Reconciliation:										
Interest income and unallocated gains									26,733	2,357
Corporate and other unallocated expenses									<u>(38,388)</u>	<u>(11,790)</u>
Loss before tax									<u>(17,607)</u>	<u>(16,485)</u>
Depreciation	16	74	284	1,287	4	130	252	249	<u>556</u>	<u>1,740</u>

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. OPERATING SEGMENT INFORMATION (Continued)

The following tables are an analysis of the Group's assets as at 30 September 2024 and 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	
	30 September 2024	31 March 2024	30 September 2024	31 March 2024	30 September 2024	31 March 2024	30 September 2024	31 March 2024	30 September 2024	31 March 2024
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
SEGMENT ASSETS	46,331	71,883	11,401	20,779	42,090	41,950	4,092	7,709	103,913	142,321
Corporate and other unallocated assets									83,244	49,995
Total assets									<u>187,157</u>	<u>192,316</u>
SEGMENT LIABILITIES	37,344	40,146	21,802	19,866	13,245	11,677	16,630	20,645	89,021	92,334
Corporate and other unallocated liabilities									46,717	40,229
Total liabilities									<u>135,738</u>	<u>132,563</u>

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.

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. OPERATING SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue from external customers presented by geographical location as below:

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
People's Republic of China ("PRC")	18,680	28,268

5. REVENUE

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

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue:		
Income from distribution and service in medical equipment and consumables	13,209	21,808
Income from provision of hospital operation and management services	5,471	6,460
	18,680	28,268

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

6. OTHER INCOME AND OTHER (LOSSES)/GAIN, NET

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
(i) Other Income		
Other interest income	535	223
Sundry income	—	2,134
	<u>535</u>	<u>2,357</u>
(ii) Other (losses)/gain, net		
Provision for other payable (Note 14(i))	(31,120)	—
Gain on reversal of certain other payables and accrued expenses (Note 14(ii))	26,733	—
Gain on deregistration of a subsidiary	—	9
Sundry gain	115	21
	<u>(4,272)</u>	<u>30</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest on lease liabilities	3	21
Interest on borrowing	81	103
	<u>84</u>	<u>124</u>

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current Mainland China corporate income tax Provision for the year	17	56
	<u>17</u>	<u>56</u>

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

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate for Mainland China subsidiaries is 25% (2023: 25%).

9. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Depreciation of right-of-use assets	388	752
Depreciation of property, plant and equipment	556	988
Provision for other payable (Note 14(i))	31,120	–
Gain on reversal of certain other payables and accrued expenses (Note 14(ii))	(26,733)	–
Interest income	(535)	(223)
	<u>(535)</u>	<u>(223)</u>

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

10. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company, used in the basic loss per share calculation	17,387	15,060
Number of shares:	'000	'000
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	484,249	471,952

For the period ended 30 September 2024 and 30 September 2023, the outstanding share options had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share.

11. TRADE RECEIVABLES

	30 September 2024	31 March 2024
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables arising from contracts with customers	25,356	31,559
Less: Allowance for credit loss	(1,434)	(1,516)
	23,922	30,043

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

11. TRADE RECEIVABLES (Continued)

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

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within 90 days	180	11,964
91 – 180 days	68	3,308
over 180 days	23,725	14,771
	<u>23,922</u>	<u>30,043</u>

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within 90 days	129	11,964
91 – 180 days	–	3,308
over 180 days	23,793	14,771
	<u>23,922</u>	<u>30,043</u>

Trade receivables that were past due but not impaired were related to the customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

12. LOAN AND INTEREST RECEIVABLES

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Loan receivables – unsecured	45,788	46,243

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within one year or matured	45,788	46,243

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 30 September 2024 and 31 March 2024, none of the covenants were breached.

Movement of loan and interest receivables are as follows:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Beginning of the period	46,243	59,218
Additions	–	5,838
Repayment	(220)	933
Impairment charged for the year, net	–	(17,739)
Exchange realignment	(235)	(2,007)
End of the period	45,788	46,243

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

12. LOAN AND INTEREST RECEIVABLES (Continued)

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Fixed rate:	7%	7%
Loan receivables	<u>45,788</u>	<u>46,243</u>

13. TRADE PAYABLES

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade payables	<u>29,149</u>	<u>31,546</u>

The aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of consumables or goods purchased, is as follows:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within one month	146	1,879
One to three months	2,824	3,302
Over three months but within 1 year	17,378	26,365
Over 1 year	<u>8,801</u>	–
	<u>29,149</u>	<u>31,546</u>

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

14. OTHER PAYABLES AND ACCRUALS

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Other payables (Note (i))	64,012	34,960
Accrued expenses (Note (ii))	3,041	27,474
	67,053	62,434

Note (i):

As at 30 September 2024, US\$4,000,000 (equivalent to approximately HK\$31,120,000) were a dividend payable on redeemable convertible cumulative preference shares which is in dispute as detailed below.

On 12 September 2016, the Company received a statutory demand (the "Statutory Demand") from Li Hong Holdings Limited ("Li Hong") in respect of repayment of dividend payable on redeemable convertible cumulative preference shares in the sum of US\$4.0 million (equivalent to approximately HK\$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.

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

14. OTHER PAYABLES AND ACCRUALS (Continued)

Note (i): (Continued)

Pursuant to the reasons for judgment handed down by the Court dated 29 March 2017, it was concluded that the Company has shown that there is bona fide dispute of the Alleged Outstanding Sum on substantial grounds and the presentation of a winding-up petition by Li Hong would be an abuse of process. The Court further commented that new information filed for the Company lend credence to the Company's case that the loan note dated 1 August 2015 to Li Hong (the "Loan Note") was in fact issued by the Company pursuant to a backdoor arrangement made or participated in by Mr. Li Zhong Yuan ("Mr. Li", a former executive Director and chairman of the Company) for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was a nominee for the purpose of receiving the Loan Note. As stated in the judgment, it follows that it must at least be open to serious argument that the Loan Note is not enforceable by Li Hong against the Company, because the issue of the Loan Note by the Company to Mr. Li's nominee (i.e. Li Hong) would involve a breach of fiduciary duty on Mr. Li's part of which Li Hong had knowledge. It was also mentioned in the judgment that Li Hong clearly does not have a valid cause of action against the Company based on a letter dated 31 July 2015 issued by Capital Foresight Limited ("Capital Foresight") and/or an agreement dated 23 November 2012 between the Company and Capital Foresight (the "Capital Foresight Agreement") being alleged evidence for the Statutory Demand as Li Hong is not a party to either of those documents and neither of those documents give rise to any contract or claim enforceable by Li Hong against the Company. Details of the above have been set out in the announcements of the Company dated 14 28 September 2016, 3 October 2016 and 30 March 2017 (the "Litigation Announcements").

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

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

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

14. OTHER PAYABLES AND ACCRUALS (Continued)

Note (i): (Continued)

In connection with the 2549 & 2569 Action, 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 during the year 31 March 2024.

Subsequently, Capital Foresight lodged an appeal in the Court of Appeal against the judgment. On 18 October 2024, the Court of Appeal delivered its judgment (the "Appeal Judgment"), ruling against the Company and ordering the payment of US\$4 million without interest.

Following consultations with legal counsel, the Board decided not to appeal against the Appeal Judgment. As a result, a provision for other payables amounting to US\$4 million (equivalent to HK\$31,120,000) was recognized as profit or loss for the six months ended 30 September 2024.

Note (ii):

During the six months ended 30 September 2024, the Company recorded a gain on reversal of certain other payables and accrued expenses of approximately HK\$11,860,000 and HK\$14,873,000, respectively. Since the abovementioned other payables and accrued expenses were outstanding for an extended long period.

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

15. SHARE CAPITAL

	Number of issued shares <i>'000</i>	Number of fully paid shares <i>'000</i>	Amount <i>HK\$'000</i>
At 31 March 2024 (Audited) and 1 April 2024	100,000,000	478,995	47,899
Allotment of subscription shares	–	12,650	1,265
As at 30 September 2024 (Unaudited)	100,000,000	491,645	49,164

Note:

On 5 July 2024, the Company entered into the subscription agreement with six independent third party, as the subscriber, pursuant to which the subscriber had conditionally agreed to subscribe for 12,650,000 new shares at the subscription price of HK\$0.8 per subscription share. The subscription was completed and 12,650,000 new shares were issued and allotted on 17 July 2024.

16. EVENTS AFTER THE REPORTING PERIOD

On 18 October 2024, the Court of Appeal delivered the Appeal Judgment on the Li Hong Case, ruling against the Company and ordering the payment of US\$4 million (approximately HK\$31.1 million) without interest (Note 14(i)). Save as aforesaid, there was no other significant event after the reporting period that would have any material impact on the Group.

17. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 November 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

For the six months ended 30 September 2024 (the “Period”), the Group reported revenue of approximately HK\$18.7 million, representing a decrease as compared to approximately HK\$28.3 million for the previous period. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK\$13.2 million (2023: HK\$21.8 million); and (b) income from hospital operation and management services of approximately HK\$5.5 million (2023: HK\$6.5 million). The decrease in revenue was mainly due to decrease in income from distribution and service in medical equipment and consumables during the Period. The Group reported gross profit of approximately HK\$2.0 million as compared to approximately HK\$5.0 million for the previous period.

The Group’s loss attributable to shareholders for the Period was approximately HK\$17.4 million as compared to approximately HK\$15.1 million for the previous financial period. Basic loss per share for the Period was HK\$3.54 cents (2023: HK\$3.19 cents).

REVIEW OF BUSINESS OPERATIONS

For the Period, 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; and (d) research and development and sale of functional food.

(a) Medical equipment and consumables distribution and service business

During the Period, the Group recorded revenue of approximately HK\$13.2 million (2023: HK\$21.8 million), representing a decrease of 39% as compared with the previous financial period. The operating loss was approximately HK\$0.7 million (2023: HK\$1.3 million) during the Period.

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.

(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\$5.5 million (2023: HK\$6.5 million) and operating loss of approximately HK\$3.2 million (2023: HK\$3.1 million) during the Period.

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 People's Government of Shuangluan District, Chengde City (“the Shuangluan Government”) entered into an agreement (the “Termination 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 Termination Agreement,

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

- (ii) the Shuangluan Government and Shuangluan Hospital agreed that the Sum, net of expenses incurred by personnel appointed by the Group amounting to approximately RMB2.3 million (equivalent to approximately HK\$2.81 million) which shall be borne by the Group, shall be settled in cash pursuant to schedule as stated in the Termination 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 Termination 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.

On 12 September 2024, a writ (the “Writ”) dated 1 August 2024 filed by the Company (as the plaintiff) against the Shuangluan Government and Shuangluan Hospital (as the defendants) in respect of claims for outstanding balance and interest thereon under the Termination Agreement was accepted by the Intermediate People’s Court of Chengde City, Hebei Province. According to the Writ, the Company’s claims including the outstanding principal amount and interest is approximately RMB59.1 million (approximately HK\$64.8 million) up to 31 July 2024.

Further details of the above has been disclosed in the announcements dated 30 April 2021 and 13 September 2024. Further announcement(s) will be made by the Company for the material developments in relation to the above.

(c) Business factoring business

During the Period, 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: nil) and recorded operating loss of approximately HK\$1.7 million (2023: HK\$0.6 million) during the Period.

(d) Research and development and sale of functional food

On 16 November 2023, the Group completed acquisition of 100% equity interest in Jinmei Developments Limited (“Jinmei Developments”) at the consideration of HK\$146 million which were satisfied by the issue of the promissory note of HK\$146 million (the “Promissory Note”). Jinmei Developments 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). The Group did not record any revenue (2023: nil) and recorded operating loss of approximately HK\$0.4 million (2023: nil) during the Period.

On 19 November 2024, Long Heng Investments Limited (a direct and wholly-owned subsidiary of the Company as the purchaser of Jinmei Developments, “Long Heng”) and the Company received a letter from the legal representatives of the vendor of Jinmei Developments, Ever True Ventures Limited (“Ever True”), claiming its rights under the agreement in respect of acquisition of 100% equity interest in Jinmei Developments (the “Jinmei Agreement”) and the Promissory Note (i.e. the consideration) on the basis that the cross-default clause (the “Cross-Default Clause”) has been triggered as a result of a statutory demand of US\$4 million from Capital Foresight Limited received by the Company following the Appeal Judgment (as detailed in note 14 of these financial statements).

Pursuant to the Cross-Default Clause, in the event that a cross-default event occurs, Ever True and Long Heng shall jointly appoint an independent valuer for valuation of of Jinmei Developments group, and the consideration shall be revised to the amount of such valuation or HK\$146 million, whichever is lower. The revised consideration shall be payable at a time to be agreed between the parties but in any event no later than the maturity date under the Jinmei Agreement. The Company is in the course of seeking professional advice in respect of the implications under the Cross-Default Clause as at date of this report.

FUTURE PROSPECTS

During the 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 remains one of the leading industries in the PRC. As the urbanization expands and the population ages, the medical and healthcare industry will maintain a diversified and sustained growth, with huge development potential. This has created favorable conditions for the Group to expand new business areas.

In the first half of the year, the Group was inevitably affected by the macro environment and faced unprecedented difficulties in business operations, featured by a decline in the existing operations and the failure of the new distribution business to realise its plans. The Appeal Judgment have resulted in the early expiry of the Group's non-operating contingent debts, causing pressure on cash flow in the short term. The Board is working actively, on the one hand, to streamline the operations of the Group and to step up the collection of trade and loan receivables, and on the other hand, to adopt various ways (including the introduction of new investors) for fundraising, in an commitment to solving the capital turnover issue in the second half of the year, thus enabling the Group to enhance the cash flow for the Group.

The Group will remain committed to the existing development strategy, and concentrate resources to build a nationwide medical and healthcare distribution platform. Recently, the Chinese government has rolled out a series of huge stimulus policies to further expand domestic demand and continuously improve the business environment, providing the Group with favorable conditions for development in the future. The Group will make active efforts 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) Termination of 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 (the “Capital Contribution”).

Beijing Qihui holds a 15% limited partnership interest 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 with investment focus on the medical equipment, bio-pharmaceutical and medical services sector. Assuming the entire registered capital of Beijing Qihui has been paid up in full (including the Capital Contribution from Zhongwei Health), Zhongwei Health would be interested in approximately 4.44% of the total registered capital of Beijing Qihui. In July 2021, Zhongwei Health had paid RMB15 million (equivalent to approximately HK\$16.5 million) to Beijing Qihui as prepayment for the Capital Contribution, with the balance of RMB15 million (equivalent to approximately HK\$16.5 million) remaining outstanding.

On 18 October 2024, Zhongwei Health and Beijing Qihui had entered into an agreement (the “Termination Agreement”) to terminate the above transaction. Pursuant to the Termination Agreement, (i) the parties have agreed that Zhongwei Health is no longer required to make the outstanding capital contribution of RMB15 million (equivalent to approximately HK\$16.5 million) to Beijing Qihui; (ii) the prepayment of RMB15 million (equivalent to approximately HK\$16.5 million) towards the Capital Contribution will be refunded to Zhongwei Health; and (iii) the agreement dated 5 July 2021 shall cease and determine and be of no effect, and, save as set out in the Termination Agreement, neither party shall have any claims or further claims against the other.

Further details of the above has been disclosed in the announcements of the Company dated 5 July 2021, 26 July 2021 and 18 October 2024.

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

On 2 December 2022, the Company and 武漢明誠旺達醫藥有限公司 (Wuhan Mingcheng Wangda Pharmaceutical Co., Ltd., “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 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.

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. The Sale Shares Return and disposal of Golden Alliance Limited has been completed on 23 April 2024. Golden Alliance Limited ceased to be a subsidiary of the Company upon the completion of the Sale Shares Return.

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 ProteinT (Tianjin) Diagnostic, Co., Ltd

On 5 July 2024, Zhongwei Health, the Company, 譜天（天津）生物科技股份有限公司 (ProteinT (Tianjin) Biotechnology Co., Ltd.) as the vendor, Friendly Act Limited (as the “Vendor Nominee”) and Mr. Li Jie (as the guarantor) entered into the agreement in respect of acquisition of 100% equity interest in 譜天福信（天津）分子診斷技術有限公司(ProteinT (Tianjin) Diagnostic, Co., Ltd, “ProteinT Diagnostic”), at the initial consideration of HK\$46,666,667, which shall be satisfied by the allotment and issue of the 58,333,333 shares at the issue price of HK\$0.80 per share by the Company to the Vendor Nominee. In the event that the condition for the additional consideration subject to earn-out condition and mechanism is fulfilled, the Vendor will be entitled to an additional consideration of HK\$9,333,333 which shall be satisfied by the allotment and issue of 11,666,667 shares at the issue price of HK\$0.80 per share by the Company to the Vendor Nominee. The total consideration for the acquisition of ProteinT Diagnostic would be HK\$56,000,000 accordingly.

ProteinT Diagnostic is principally engaged in sale and distribution of molecular diagnostics technology related equipments and reagents, and provision of ancillary services such as technical support and maintenance services in the PRC. ProteinT Diagnostic holds a 醫療器械經營許可證(Permit for Medical Device Operation Enterprises) and 第二類醫療器械經營備案憑證(the Class II Medical Device Business Recordation Certificate), which allow ProteinT Diagnostic to engage in the sale and distribution of diagnostic equipment and reagents within the PRC.

On 31 October 2024, all parties to the agreement entered into a supplemental agreement to extend the long stop date of the transaction from 31 October 2024 to 28 February 2025.

The acquisition is not yet completed as at date of this report. Further details of the above has been disclosed in the announcements of the Company dated 7 July 2024, 21 August 2024, 30 September 2024 and 31 October 2024.

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

SIGNIFICANT INVESTMENT

The Group had no significant investment of carrying value of 5% or more of the total assets as at 30 September 2024 (31 March 2024: nil).

FUND RAISING ACTIVITY

On 8 July 2024, the Company, Treasure Wagon Limited (“Treasure Wagon”) as the vendor and an independent placing agent entered into the placing and subscription agreement, pursuant to which, (i) Treasure Wagon agreed to sell, and the placing agent agreed to act as overall coordinator and placing agent of the Vendor to procure, on a best effort basis, not less than six (6) places for up to 15,000,000 placing shares at the placing price of HK\$0.80 per share; and (ii) Treasure Wagon conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, up to 15,000,000 subscription shares at the subscription price of HK\$0.80 per share.

Completion of the placing and the subscription of 12,650,000 shares took place on 12 July 2024 and 17 July 2024 respectively. The Company received total gross proceeds of approximately HK\$10.1 million, and total net proceeds of approximately HK\$9.8 million from the subscription which will be used for general working capital purposes. As at date of this report, net proceeds of approximately HK\$9.5 million has been used as intended. Net proceeds of approximately HK\$0.3 million were not yet utilised. Further details of the above has been disclosed in the announcements of the Company dated 8 July 2024 and 17 July 2024.

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

On 13 November 2024, the Company and Ample Colour Limited (the “Potential Investor”) entered into a non-legally binding letter of intent (the “Letter of Intent”) for subscription of shares in an aggregate amount of not less than HK\$50 million (the “Potential Subscription”). The sole shareholder of the Potential Investor is Mr. Ying Wei, who was a former non-executive director of the Company during the period from June 2016 to May 2018. The proceeds from the Potential Subscription (if materialised) will be used for settlement of debts of the Group and the Group’s general working capital. No formal agreement in respect of the Potential Subscription has been made as at date of this report.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow and fund raising activity as mentioned in section headed “Fund raising activity” during the Period. As at 30 September 2024, the Group’s cash and cash equivalents amounted to approximately HK\$2.4 million (31 March 2024: HK\$4.0 million). As at 30 September 2024, the current assets and net current assets of the Group are approximately HK\$124.9 million (31 March 2024: HK\$129.0 million) and HK\$9.6 million (31 March 2024: HK\$16.9 million) respectively, representing a current ratio of 1.08 (31 March 2024: 1.15).

As at 30 September 2024, the Group has certain bank loans, which were denominated in Renminbi, amounting to approximately RMB5 million (31 March 2024: RMB5 million) (approximately HK\$5.5 million) (31 March 2024: HK\$5.5 million). The loans carried interest ranging from loan prime rate (LPR) plus 0.1% to 0.25% and repayable within one year.

As at 30 September 2024, a provision for other payable of US\$4 million (equivalent to approximately HK\$31.1 million) in respect of the Appeal Judgment as disclosed in note 14 of these financial statements was included in other payables and accrued expenses (31 March 2024: nil).

As at 30 September 2024, the gearing ratio was 0.83 (31 March 2024: 0.11), calculated by the mentioned other payable of HK\$31.1 million (31 March 2024: nil) and bank borrowings of approximately HK\$5.5 million (31 March 2024: HK\$5.5 million) (representing debts owed by the Company) by equity attributable to owner of the Company of approximately HK\$43.9 million (31 March 2024: HK\$52.0million).

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 14 of these financial statements.

CONTINGENT LIABILITIES

As at 30 September 2024, there were no material contingent liabilities of the Group (31 March 2024: nil).

CHARGE ON GROUP'S ASSETS

As at 30 September 2024, there were no charge on the Group's assets (31 March 2024: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2024, the Group employed 118 employees (31 March 2024: 127). The total staff cost including Directors' emoluments was approximately HK\$6.8 million as compared to approximately HK\$5.6 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 Period. There were 19,050,000 outstanding share options as at 30 September 2024.

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

As at 30 September 2024, the interests or short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and convertible bonds of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director/chief executive	Capacity	Interests in shares (other than pursuant to share option)	Interests in underlying shares pursuant to share option	Total interest in shares/ underlying shares	Percentage of shares and underlying shares to issued shares
Mr. Zhang Fan (Note 1)	Through personal & corporate interest	137,299,400(L)	800,000	138,099,400(L)	28.09%
Mr. Chung Ho (Note 2)	Beneficial owner	–	3,000,000(L)	3,000,000(L)	0.61%

Name of director/chief executive	Capacity	Interests in shares (other than pursuant to share option)	Interests in underlying shares pursuant to share option	Total interest in shares/ underlying shares	Percentage of shares and underlying shares to issued shares
Mr. Xing Yong <i>(Note 2)</i>	Beneficial owner	139,800(L)	3,400,000(L)	3,539,800(L)	0.72%
Mr. Wang Jingming <i>(Note 3)</i>	Beneficial owner	2,850,600(L)	300,000(L)	3,150,600(L)	0.64%
Mr. Huang Lianhai <i>(Note 3)</i>	Beneficial owner	–	2,300,000(L)	2,300,000(L)	0.47%
Mr. Jiang Xuejun <i>(Note 4)</i>	Beneficial owner	–	800,000(L)	800,000(L)	0.16%
Mr. Du Yanhua <i>(Note 4)</i>	Beneficial owner	–	300,000(L)	300,000(L)	0.06%
Mr. Lai Lianguan <i>(Note 4)</i>	Beneficial owner	–	300,000(L)	300,000(L)	0.06%

Remark: (L): Long position

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. Each of Mr. Chung Ho and Mr. Xing Yong is an executive Director.
3. Each of Mr. Wang Jingming and Mr. Huang Lianhai is a non-executive Director.
4. Each of Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Lianguan is an independent non-executive Director.

Save as disclosed above, none of directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

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

As at 30 September 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 30 September 2024
Treasure Wagon Limited <i>(Note 1)</i>	Beneficial owner	135,992,000(L)	–	135,992,000(L)	27.66%

Remark: (L): Long position

Notes:

- 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.

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 adopted 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. Further details of the 2012 Share Option Scheme and 2023 Share Option Scheme were disclosed in the annual report of the Company for the year ended 31 March 2024. There was no change in any terms of the 2012 Share Option Scheme and 2023 Share Option Scheme during the Period.

No share options have been granted, exercised, cancelled or lapsed under the 2012 Share Option Scheme and 2023 Share Option Scheme during the Period. 19,050,000 share options and no share options were outstanding under the 2012 Share Option Scheme and 2023 Share Option Scheme as at 30 September 2024 respectively.

As at 1 April 2024 and 30 September 2024, the total number of shares options that was still available for grant under each of the scheme mandate limit and the service provider sublimit of the 2023 Share Option Scheme was 47,899,476 and 4,789,947 respectively. There was no share option that was still available for grant under the 2012 Share Option Scheme. The number of shares that may be issued in respect of share options granted under the 2012 Share Option Scheme and 2023 Share Option Scheme was 19,050,000 (representing 3.93% of weighted average number of ordinary shares in issue of 484,249,000 shares for the Period) and nil respectively.

The total number of shares available for issue under the 2023 Share Option Scheme is 47,899,476, representing 9.74% of the shares in issue of 491,644,763 shares as at 30 September 2024 and the date of this report.

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

Name or category of participant	At 1 April 2024	Number of share options					As at 30 September 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\$
		Granted during the period	Exercised during the period	Cancelled during the period	Lapsed/forfeited during the period						
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	

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Name or category of participant	At 1 April 2024	Number of share options					As at 30 September 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\$
		Granted during the period	Exercised during the period	Cancelled during the period	Lapsed/ forfeited during the period						
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					

Name or category of participant	Number of share options					As at 30 September 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\$
	At 1 April 2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed/ forfeited during the period					
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.

DIVIDEND

The Directors do not recommend the payment of any interim dividend to shareholders (2023: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix C1 of the Listing Rules throughout the Period, except for the below deviation:

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.

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

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the unaudited interim financial statements for the six months ended 30 September 2024.

On behalf of the Board
China Health Group Limited
Chung Ho

Executive Director and Chief Executive Officer

Hong Kong, 29 November 2024