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)
(Stock Code: 673)

(1) FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2025; AND (2) RESUMPTION OF TRADING OF THE SHARES

The board (the "**Board**") of directors (the "**Directors**") of China Health Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2025 together with the comparative figures for the corresponding year ended 31 March 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Revenue	5	**38,943**	59,930
Cost of sales		**(29,708)**	(46,292)
Gross profit		**9,235**	13,638
Other income	6	**16,689**	39,085
Other loss, net	6	**(6,575)**	(24,689)
Net impairment loss of financial assets		**(17,642)**	(18,435)
Selling and distribution expenses		**(6,138)**	(17,768)
Administrative expenses		**(62,695)**	(33,798)
OPERATING LOSS		**(67,126)**	(41,967)
Finance costs	7	**(252)**	(327)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	Notes	2025 HK$'000	2024 HK$'000
LOSS BEFORE TAX	*8*	**(67,378)**	(42,294)
Income tax expense	*9*	**(443)**	(203)
LOSS FOR THE YEAR		**(67,821)**	(42,497)
Loss for the year attributable to:			
Owners of the Company		**(67,790)**	(40,187)
Non-controlling interests		**(31)**	(2,310)
		(67,821)	(42,497)
LOSS PER SHARE			
Basic and diluted (cents)	*10*	**(13.91)**	(8.45)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2025

	2025	2024
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(67,821)**	(42,497)
Other comprehensive expense		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(1,743)**	(3,375)
Reclassification adjustment for disposal of foreign operations during the year	**–**	(79)
Other comprehensive expense for the year	**(1,743)**	(3,454)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(69,564)**	(45,951)
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	**(69,606)**	(43,223)
Non-controlling interests	**42**	(2,728)
	(69,564)	(45,951)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**17,396**	18,238
Right-of-use assets		**1,522**	1,865
Intangible assets		**249**	1,073
Goodwill		**13,561**	25,633
Prepayment		**–**	16,524
Investment in an associate		**–**	–
		32,728	63,333
CURRENT ASSETS			
Inventories		**13,536**	18,595
Trade receivables	*11*	**21,230**	30,043
Prepayment, deposits and other receivables		**44,388**	30,089
Loan and interest receivables		**34,345**	46,243
Restricted cash		**73**	–
Cash and cash equivalents		**1,048**	4,013
		114,620	128,983
CURRENT LIABILITIES			
Trade payables	*12*	**24,386**	31,546
Other payables and accrued expenses	*13*	**88,471**	62,434
Amounts due to directors		**8,577**	6,875
Contract liabilities		**3,923**	5,111
Lease liabilities		**659**	147
Bank borrowings		**5,418**	5,508
Tax payables		**531**	486
		131,965	112,107

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**2025** *HK$'000*	2024 *HK$'000*
NET CURRENT (LIABILITIES)/ASSETS		**(17,345)**	16,876
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,383**	80,209
NON-CURRENT LIABILITIES			
Lease liabilities		**425**	–
Contingent consideration	*14*	**14,863**	20,325
Deferred tax liabilities		**–**	131
		15,288	20,456
NET ASSETS		**95**	59,753
EQUITY			
Share capital	*15*	**49,164**	47,899
Reserves		**(56,827)**	4,138
Equity attributable to owners of the Company		**(7,663)**	52,037
Non-controlling interests		**7,758**	7,716
TOTAL EQUITY		**95**	59,753

Notes:

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 and research and development and sale of functional foods.

2. GOING CONCERN BASIS

MULTUPLE UNCERTAINTIES RELATED TO GOING CONCERN

As at 31 March 2025, the Group incurred a loss of approximately HK$67,821,000 for the year ended 31 March 2025 and the Group had net current liabilities of approximately HK$17,345,000. In addition, the Group had outstanding bank borrowings, trade payables and other payables amounting to approximately HK$5,418,000, HK$24,386,000 and HK$88,471,000 respectively, as at 31 March 2025, of which (i) the bank borrowings amounted to approximately HK$5,418,000 would be repayable on demand; and (ii) trade payables and other payables amounted to approximately HK$24,386,000 and HK$88,471,000 respectively would be due for repayment within the next twelve months or repayable on demand, while its cash and cash equivalents amounted to approximately HK$1,048,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

To address the liquidity pressure, the directors have been actively implementing several plans and measures. These include: (i) entering into subscription agreements to raise estimated gross proceeds of approximately HK$70,000,000; (ii) proposing a rights issue to raise estimated gross proceeds of approximately HK$14,985,000; (iii) negotiating with the Group's existing lender for renewal and/or extension of settlement arrangement of bank borrowing; and (iv) seeking potential new funding through various channels. The total estimated net proceeds from (i) and (ii) would be of approximately HK$80,900,000.

The directors are of the opinion that, taking into consideration the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2025. Accordingly, the directors consider it appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to implement the aforementioned plans and measures, Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financing and operating cash flows through: (i) the completion of the subscription; (ii) the completion of right issue; (iii) successfully negotiating with the Group's existing lender for renewal and/or extension of settlement arrangement of bank borrowing; and (iv) successfully obtaining potential new fundings as and when needed. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 March 2025.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

The preparation of these consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Certain comparative figures have been regrouped to conform with the current year's presentation of the consolidated financial statements.

(i) New and amended standards adopted by the group

The Group has applied the following standards, amendments and interpretation for the first time for its annual reporting period commencing 1 April 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

The amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New and amended standards and interpretations not yet adopted

The following amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2024 and have not been early adopted:

		Effective for accounting periods beginning on or after
–	Amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability	1 January 2025
–	Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
–	Amendments to HKFRS 9 and HKFRS 7 – Contract Referencing Nature – Dependent Electricity	1 January 2026
–	Annual improvements to HKFRS Accounting standards – Volume 11	1 January 2026
–	HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
–	HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027

	Effective for accounting periods beginning on or after
– Amendments to HK-Int 5, Presentation of financial statements – Classification by the borrower of a loan that contains a repayment on demand clause	1 January 2027
– Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above amendments to existing standards and interpretation when they become effective. The Group has already commenced an assessment of the related impact of adopting the above amendments and interpretation, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

4. 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.

For management purposes the Group is organised into business units based on their products and services and has four 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 2025 and 2024:

For the year ended 31 March 2025

	Distribution and service in medical equipment and consumables *HK$'000*	**Hospital operation and management services** *HK$'000*	**Business service** *HK$'000*	**Research and development and sale of functional food** *HK$'000*	**Total** *HK$'000*
Segment revenue					
Revenue from external customers	**27,711**	**11,232**	**–**	**–**	**38,943**
Segment results	**(421)**	**(14,222)**	**(14,675)**	**1,017**	**(28,301)**
Reconciliation:					
Unallocated other income					**16,386**
Unallocated expenses					**(55,463)**
Loss before tax					**(67,378)**

For the year ended 31 March 2024

	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management services *HK$'000*	Business service *HK$'000*	Research and development and sale of functional food *HK$'000*	Total *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)

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.

The following table is an analysis of the Group's assets and liabilities and other segment information as at 31 March 2025 and 2024:

As at 31 March 2025

	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	**58,974**	**24,475**	**31,584**	**3,058**	**118,091**
Corporate and other unallocated assets					**29,257**
Total assets					**147,348**
Segment liabilities	**29,219**	**24,911**	**15,856**	**15,058**	**85,044**
Corporate and other unallocated liabilities					**62,209**
Total liabilities					**147,253**

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	34,072	41,950	7,709	155,614
Corporate and other unallocated assets					36,702
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

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 2025

	Distribution and service in medical equipment and consumables *HK$'000*	**Hospital operation and management services** *HK$'000*	**Business service** *HK$'000*	**Research and development and sale of functional food** *HK$'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)	**396**	**2,515**	**386**	**–**	**–**	**3,297**
Amortisation of intangible assets	**–**	**–**	**–**	**260**	**–**	**260**
Net impairment loss of financial assets	**880**	**(147)**	**10,472**	**536**	**5,901**	**17,642**
Depreciation of property, plant and equipment	**36**	**2,091**	**9**	**–**	**–**	**2,136**
Depreciation of right-of-use assets	**241**	**656**	**119**	**–**	**–**	**1,016**

For the year ended 31 March 2024

	Distribution and service in medical equipment and consumables *HK$'000*	Hospital operation and management services *HK$'000*	Business service *HK$'000*	Research and development and sale of functional food *HK$'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)	408	573	–	3,998	1,268	6,247
Amortisation of intangible assets	–	–	–	39	–	39
Net impairment loss of financial assets	(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

Geographical information

The Group's revenue were derived from the PRC and over 90% (2024: 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.

Information about major customers

	2025	2024
	HK$'000	*HK$'000*
Customer A[1]	**5,364**	8,739

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

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

5. REVENUE

	2025	2024
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Income from distribution and service in medical equipment and consumables	**27,216**	45,334
Income from provision of hospital operation and management services	**11,232**	14,081
Service fee income	**495**	515
	38,943	59,930

Accounting policies of revenue recognition

(i) Income from distribution and service in medical equipment and consumables

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.

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.

(ii) Income from provision of hospital operation and management services

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.

(iii) Service fee income

Service fee income are regonised over time, when the vaccine promotion services are performed, based on the completion of the agreed-upon services and the fulfillment of contractual obligations.

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in 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.

6. OTHER INCOME/OTHER LOSS, NET

	2025	2024
	HK$'000	*HK$'000*
(i) Other income:		
Loan interest income	**–**	914
Other interest income	**9**	6
Government grants *(Note (a))*	**137**	465
Commission income	**–**	3,365
Sales service income	**–**	3,050
Reversal of other payables and accrued expenses *(Note 13)*	**16,306**	31,200
Sundry income	**237**	85
	16,689	39,085
(ii) Other loss, net:		
Charge in fair value of contingent consideration	**5,171**	(13,856)
Gain on disposal of subsidiaries	**–**	3,311
Loss on acquisition of subsidiaries	**–**	(313)
Impairment loss recognised in respect of goodwill	**(11,746)**	(13,831)
	(6,575)	(24,689)

Note:

(a) During the year ended 31 March 2025, the Group recognised government grants of approximately HK$137,000 (2024: HK$465,000) from PRC government for employment support. There were no unfulfilled conditions or contingencies relating to these government grants.

7. FINANCE COSTS

	2025	2024
	HK$'000	*HK$'000*
Interest on lease liabilities	**93**	98
Interest on bank borrowings	**159**	229
	252	327

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following:

	2025	2024
	HK$'000	*HK$'000*
Auditor's remuneration for audit services	**950**	880
Auditor's remuneration for non-audit services	**–**	308
Amortisation of intangible assets	**260**	39
Impairment loss recognised on intangible assets	**566**	–
Depreciation of right-of-use assets	**1,016**	1,677
Impairment loss recognised on right-of-use assets	**1,021**	636
Depreciation of property, plant and equipment	**2,136**	2,832
Expenses related to short-term leases	**966**	922
Written off of property, plant and equipment	**–**	125
Provision for litigation expenses	**35,616**	–
Impairment loss recognised on loan and interest receivables	**11,688**	17,739
Impairment loss recognised on trade receivables	**9**	730
Impairment loss/(reversal of impairment loss) on deposits and other receivables	**5,945**	(34)
Net impairment loss of financial assets	**17,642**	18,435
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**15,072**	14,063
– Discretionary bonus	**3,000**	1,544
– Contributions to defined contribution retirement plans	**1,527**	1,592

9. 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% (2024: 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.

	2025	2024
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**574**	215
Deferred tax credit	**(131)**	(12)
	443	203

10. LOSS PER SHARE

	2025	2024
	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)	**(67,790)**	(40,187)

	2025	2024
	'000	*'000*
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**487,428**	475,474

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 decrease in loss per share. Accordingly, diluted loss per share is same as basic loss per share.

11. TRADE RECEIVABLES

	2025	2024
	HK$'000	*HK$'000*
Trade receivables arising from contracts with customers	**21,779**	31,559
Less: Allowance for credit losses	**(549)**	(1,516)
	21,230	30,043

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

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

	2025	2024
	HK$'000	*HK$'000*
Within 90 days	**6,206**	11,964
91-180 days	**1,230**	3,308
Over 180 days	**13,794**	14,771
	21,230	30,043

12. TRADE PAYABLES

	2025	2024
	HK$'000	*HK$'000*
Within 1 month	**409**	1,879
1-3 months	**1,757**	3,302
Over 3 months	**22,220**	26,365
	24,386	31,546

13. OTHER PAYABLES AND ACCRUED EXPENSES

	2025	2024
	HK$'000	*HK$'000*
Dividend payable on redeemable convertible cumulative preference shares *(Note a)*	**31,120**	–
Accrued interest of convertible bonds	**9,865**	9,865
Accrued legal and professional fee	**7,115**	14,743
Accrued salaries	**4,048**	2,859
Others	**36,323**	34,967
	88,471	62,434

Other payables and accrued expenses with the amounts of approximately HK$12,765,000 (2024: HK$32,960,000) were denominated in RMB as at 31 March 2025.

Note:

(a) As at 31 March 2025, 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.

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").

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 during the year 31 March 2024.

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$31,200,000) was recognized as profit or loss for the year ended 31 March 2025.

(b) During the year ended 31 March 2025, a reversal of other payables and accrued expenses of approximately HK$16,306,000 were credited to profit or loss due to (i) expiry of the time bar for bringing payment claims in court by the relevant creditors under the applicable laws and contracts; or (ii) the waiver of payments having been obtained from the relevant creditors.

14. CONTINGENT CONSIDERATION

	2025	2024
	HK$'000	*HK$'000*
Current	**–**	–
Non-current	**14,863**	20,325
	14,863	20,325

	2025	2024
	HK$'000	HK$'000
Balance as at 1 April	**20,325**	8,061
Issue of contingent consideration upon acquisition of subsidiaries	**–**	7,336
Issuance of new shares upon fulfilment of profit guarantee	**–**	(8,928)
Fair value change	**(5,171)**	13,856
Exchange realignment	**(291)**	–
Balance as at 31 March	**14,863**	20,325

Beijing Youkang

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") at the consideration of approximately HK$27,160,000.

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.

Golden Alliance

On 16 June 2023, the Group completed to acquire 51% equity interest in Golden Alliance Limited ("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.

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.

Jinmei

On 16 November 2023, the Group completed to acquire 100% equity interest in Jinmei Developments Limited ("Jinmei") and its subsidiaries (collectlively referred as "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.

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").

On 19 November 2024, the vendor involved in the acquisition of Jinmei Group sent a demand letter asserting a claim to accelerate payment on the existing promissory note, citing that the cross-default clause had been triggered by the Appeal Judgment of US$4 million ("Triggered Cross-default Clause"), as described in note 13 to this announcement. Subsequent to the reporting period, on 3 July 2025, the Group, the vendor and Ms. Ma Xiaoming entered into a settlement deed. Under this deed, the Group will issue a new promissory note in the principal amount of HK$12,000,000 to the vendor, which will be interest-free and will mature on 30 June 2026. Additionally, the Group will transfer the entire equity interest of Jinmei to the vendor for a nominal consideration of HK$1.

During the year ended 31 March 2025, the Company recognized a fair value change on the contingent consideration of approximately HK$5,171,000 to profit or loss, reflecting the total obligation under the aforementioned settlement deed signed on 3 July 2025.

15. SHARE CAPITAL

	Number of shares		Amount	
	2025	2024	**2025**	2024
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.1 (2024: HK$1.0) each				
Authorised:				
As at 1 April	**100,000,000**	10,000,000	**10,000,000**	10,000,000
Sub-division *(note b)*	**–**	90,000,000	**–**	–
As at 31 March	**100,000,000**	100,000,000	**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	**478,995**	471,795	**47,899**	471,795
Issue of consideration shares *(note a)*	**–**	7,200	**–**	720
Capital reduction *(note b)*	**–**	–	**–**	(424,616)
Issue of ordinary shares *(note c)*	**12,650**	–	**1,265**	–
As at 31 March	**491,645**	478,995	**49,164**	47,899

No preference shares were issued for both years.

Notes:

(a) 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.

(b) 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.

(c) On 12 July 2024, the Company completed the placing of 12,650,000 existing shares held by Treasure Wagon Limited, at HK$0.80 per share to six independent third parties. On 17 July 2024, the Company issued 12,650,000 new ordinary shares at the same price to Treasure Wagon Limited.

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on 3 July 2025, concerning Jinmei Consideration as detailed in note 14 to this announcement, a settlement deed is entered into among the Company, Long Heng Investments Limited ("Long Heng"), the vendor involved in the acquisition of Jinmei Group and Ms. Ma Xiaoming (as the guarantor who owns entire equity interest in the vendor). Pursuant to the settlement deed, subject to fulfilment of condition precedent, (i) the vendor shall return the original copy of the related promissory note to the Company, and the Company shall cancel the related promissory note immediately upon receipt; (ii) Long Heng shall effect the transfer of the entire equity interest in Jinmei to the vendor for a nominal consideration of HK$1; and (iii) Long Heng shall pay the vendor in the sum of HK$12 million which shall be settled by way of the settlement note issued by the Company which shall not carry any interest and mature on 30 June 2026.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2025 which has included a disclaimer of opinion on multiple uncertainties related to going concern.

"Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which mentions that as at 31 March 2025, the Group incurred a loss of approximately HK$67,821,000 for the year ended 31 March 2025 and the Group had net current liabilities of approximately HK$17,345,000. In addition, the Group had outstanding bank borrowings, trade payables and other payables and accrued expenses amounting to approximately HK$5,418,000, HK$24,386,000 and HK$88,471,000 respectively, as at 31 March 2025, of which (i) the bank borrowings amounted to approximately HK$5,418,000 would be payable on demand; and (ii) trade payables and other payables and accrued expenses amounted to approximately HK$24,386,000 and HK$88,471,000 respectively would be due for repayment within the next twelve months or repayable on demand, while its cash and cash equivalents amounted to approximately HK$1,048,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in Note 2 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) successfully completing the subscription transaction; (ii) successfully completing the right issue's transaction; (iii) successfully negotiating with the Group's existing lender for renewal and/or extension of settlement arrangement of bank borrowing; and (iv) successfully obtaining potential new fundings as and when needed.

Given that the Group's plans and measures to address the going concern uncertainties are either at a preliminary stage or still in progress, and certain plans and measures are in the absence of written contractual agreements or other documentary supporting evidence from relevant counterparties as at the date the consolidated financial statements were approved and authorised for issue, we were unable to obtain sufficient appropriate audit evidence that we considered necessary to assess the assumptions and judgments supporting the directors' assessment of the Group's ability to continue as a going concern and the likelihood of success of the Group's plans and measures. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the directors' use of the going concern basis of accounting and the adequacy of the related disclosures in the consolidated financial statements.

Should the Group be unable to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

In the absence of sufficient appropriate audit evidence of the above, we were unable to ascertain whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate."

MANAGEMENT'S RESPONSE TO THE DISCLAIMER AUDIT OPINION AND MEASURES TO BE TAKEN

To address the liquidity pressure of the Group, the Directors have been actively implementing several plans and measures. These include:

(i) entering into subscription agreements to raise estimated gross proceeds of approximately HK$70,000,000 on 30 April 2025 as detailed in section headed "Proposed subscriptions of new shares and rights issue";

(ii) proposing a rights issue to raise estimated gross proceeds of approximately HK$14,985,000 on 30 April 2025 as also detailed in section headed "Proposed subscriptions of new shares and rights issue";

(iii) negotiating with the Group's existing lender for renewal and/or extension of settlement arrangement of bank borrowing; and

(iv) seeking potential new funding through various channels.

The Directors are of the opinion that, taking into consideration the above plans and measures which is expected to implement and complete for the year ending 31 March 2026, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2025.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

For the year ended 31 March 2025, the Group reported revenue of approximately HK$38.9 million, representing a decrease of 35% as compared to HK$59.9 million for the previous financial year. The revenue comprises (a) income from distribution and service in medical equipment and consumables of approximately HK$27.7 million (2024: HK$45.8 million); and (b) income from hospital operation and management of approximately HK$11.2 million (2024: HK$14.1 million). The decrease in revenue was mainly due to decrease in income from distribution and service in medical equipment and consumables during the year. For the year ended 31 March 2025, the Group reported gross profit of approximately HK$9.2 million, representing a decrease of 32% as compared to HK$13.6 million for the previous year.

For the year ended 31 March 2025, there was impairment loss recognised on expected credit loss ("ECL") on loan and interest receivables of approximately HK$11.7 million (2024: HK$17.7 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 2025, the probability of default applied was 100% (2024: 98.2%) and the loss given default rate was estimated to be 52.05% (2024: 64.1%).

The Group's loss attributable to shareholders for the year was approximately HK$67.8 million as compared to a net loss of approximately HK$40.2 million for the previous year. The increase in loss was mainly due to a provision for litigation expense of US$4 million (approximately HK$31.2 million) (2024: nil) arising from the Appeal Judgment as defined and detailed in note 13 to this announcement. Basic loss per share for the year was HK$13.91 cents (2024: HK$8.45 cents).

REVIEW OF BUSINESS OPERATIONS

For the year ended 31 March 2025, 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 service; and (d) 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$27.7 million (2024: HK$45.8 million), representing a decrease of 40% as compared with the previous financial year. The loss was approximately HK$0.4 million (2024: profit of HK$0.4 million) during the year.

The Group operated the medical equipment and consumables distribution and service business mainly through its subsidiary, namely 北京佑康健業醫療器械有限公司 (Beijing Youkang Jianye Medical Equipment Co., Ltd.) 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$11.2 million (2024: HK$14.1 million) and loss of approximately HK$14.2 million (2024: HK$20.2 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 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 (the "Chengde Court"). 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. Such litigation has been accepted and registered at the Chengde Court on 21 May 2025.

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 service

The Group conducted business service by providing hospital management consultancy services. The business factoring business was discontinued following the expiry of its license in June 2024. The Group did not record any revenue from business service (2024: nil) and recorded loss of approximately HK$14.7 million (2024: HK$10.6 million) during the year.

(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") 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 and its subsidiaries (the "Jinmei Group") are 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 (2024: nil) and recorded profit of approximately HK$1.0 million (2024: loss of HK$13.1 million) during the year.

On 19 November 2024, Long Heng Investments Limited (a direct and wholly owned subsidiary of the Company as the purchaser of Jinmei, "Long Heng") and the Company received a letter from the legal representatives of the vendor of Jinmei, Ever True Ventures Limited ("Ever True"), claiming its rights under the agreement in respect of acquisition of 100% equity interest in Jinmei (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 defined and detailed in note 13 of this announcement).

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 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 and Ever True engaged in negotiations regarding the appointment of an independent valuer to determine the revised consideration under the Jinmei Agreement. However, no consensus was reached. Ever True indicated that the revised consideration should be no less than the unaudited fair value of the promissory note of approximately HK$20.3 million as disclosed in the interim report for the six months ended 30 September 2024. Ever True also expressed concern that, the Company shall make reasonable efforts to promote the Jinmei Group's business, and that the ongoing disputes had delayed execution of the Jinmei Group's business plan.

To resolve the disputes and as part of the Group's restructuring efforts to restore long-term financial stability, on 3 July 2025, a settlement deed (the "Settlement Deed") is entered into among the Company, Long Heng, Ever True and Ms. Ma Xiaoming (as the guarantor who owns entire equity interest in Ever True). Pursuant to the Settlement Deed, subject to fulfilment of condition precedent,

(i) Ever True shall return the original copy of the Promissory Note to the Company, and the Company shall cancel the Promissory Note immediately upon receipt;

(ii) Long Heng shall effect the transfer of the entire equity interest in Jinmei to Ever True for a nominal consideration of HK$1 (the "Transfer"); and

(iii) Long Heng shall pay Ever True in the sum of HK$12 million which shall be settled by way of the settlement note (the "Settlement Note") issued by the Company which shall not carry any interest and mature on 30 June 2026 in full and final settlement of the disputes.

Upon completion of the above matters (including the Transfer) under the Settlement Deed, i.e. disposal of Jinmei, Jinmei and its subsidiaries will cease to be subsidiaries of the Company.

The above transactions were not yet completed as at date of this announcement. Further details of the above have been disclosed in the announcements of the Company dated 20 November 2024 and 3 July 2025.

FUTURE PROSPECTS

During the year, China's economy continued its recovery trajectory, underpinned by structural reforms and policy support from the central government. The emergence of new quality productive forces and revitalization of the capital market have contributed to renewed investor confidence and reinforced Hong Kong's position as a leading international financial centre. These developments have laid a favourable foundation for the next phase of economic and social growth. With ongoing urbanization and an aging population, the healthcare industry is expected to remain a key pillar of future development, presenting significant opportunities for the Group's expansion.

Despite this broader economic recovery, the Group encountered unprecedented challenges over the past year. These included a decline in performance across existing operations, the underperformance of the new distribution business, and difficulties in recovering substantial accounts receivable. In addition, the adverse outcome of the Appeal Judgment resulted in the early crystallization of the contingent consideration of Jinmei, placing considerable pressure on the Group's short-term cash flow and raising concerns about its going concern status.

In response, the Board took decisive steps to stabilize the Group's financial position. The Company entered into subscription agreements with strategic investors to introduce new major shareholders and, in parallel proposed a rights issue to existing shareholders to repay outstanding debts and strengthen its capital base. The Board believes that the successful execution of the capital raising proposals and the completion of the equity restructuring will significantly improve the Group's financial health and support its long-term growth.

Looking ahead to the new financial year, with the support of new major shareholders and the additional capital raised, the Group is well-positioned to navigate its current challenges. The Group will continue to focus on strengthening its core operations while proactively exploring strategic partnerships, industry integration, and new business opportunities. The Board is confident that through coordinated efforts in the coming years, the Group can overcome its current difficulties, rebuild momentum, and create value for its 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 have been disclosed in the announcements of the Company dated 5 July 2021, 26 July 2021 and 18 October 2024.

(ii) 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 intended to have close cooperation in various ways for distributing medical one health products. Further details of the above has been disclosed in the announcement of the Company dated 2 December 2022.

On 5 December 2022, the Group provided the initial loan (the "Initial Loan") of RMB4.0 million (equivalent to approximately HK$4.4 million) to Mingcheng Wangda.

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 "Golden Alliance 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 million which shall be satisfied by (i) the issue of the promissory notes in the aggregate amount of approximately HK$47.1 million 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 Golden Alliance 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 million, the purchaser has the right to reduce the consideration per the terms of the Golden Alliance Agreement. Concurrently, the Purchaser shall have the right (but not the obligation) to terminate the Golden Alliance 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 Golden Alliance 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 Golden Alliance Agreement shall immediately cease (the "Second Exit Clause" together with the First Exit Clause, the "Exit Clauses").

In anticipation of the Company becoming the majority shareholder of the target group, on 5 March, 9 May, 23 May and 1 June 2023, the Group provided the additional loans (the "Additional Loans") to Mingcheng Wangda in the aggregate amount of RMB4.7 million (equivalent to approximately HK$5.2 million) to prepare the target group's operational readiness.

Due to unexpected delay in timely fulfilment of certain conditions precedent to the Golden Alliance Agreement including (i) Mingcheng Wangda obtaining the 藥品經營許可證 (pharmaceutical business permit) from 湖北省市場監督管理局 (Administration for Market Regulation of Hubei Province); and (ii) 湖北高硒藥業有限公司 (Hubei Gaoxi Pharmaceutical Co. Ltd.), which is the supplier for the selenium-rich eye drops products, obtaining the pharmaceutical production permit (藥品生產許可證), the acquisition was not completed until 16 June 2023. Golden Alliance Limited and its subsidiaries including Mingcheng Wangda became subsidiaries of the Company upon completion of the acquisition. Between 16 June 2023 and 1 August 2023, the Group made further shareholder's loans (the "Shareholder's Loans") to Mingcheng Wangda in the aggregate amount of RMB3.6 million (equivalent to approximately HK$3.9 million) for the business development and working capital needs.

The Actual Profit for FY2024 is approximately RMB-6.3 million (equivalent to approximately HK$-6.9 million), falling short of the guaranteed profit for FY2024 and the specified amount (i.e. RMB12 million) under the Exit Clauses. The purchaser decided to exercise the right to terminate under the Golden Alliance Agreement with immediate effect under the Exit Clauses. On 23 April 2024, the purchaser issued the termination notice pursuant to terms of the Golden Alliance 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 Golden Alliance Agreement, where the Sale Shares Return has been completed, the Golden Alliance 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.

As at the date of this announcement, all the loans (the "Loans"), including the Initial Loan, the Additional Loans and the Shareholder's Loans, are due and payable. The Company remains committed to recovering the Loans and will consider taking necessary legal actions for the recovery.

The acquisition, which should have been aggregated with the provision of the Initial Loan for the purpose of the size test calculations, should have been classified as a major transaction instead of a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The acquisition, when aggregated with the Initial Loan and the Additional Loans, the classification of these three transactions together would remain as a major transaction. The mistaken classifications of the acquisition were caused by an inadvertent oversight of the application of the Listing Rules. Given that (i) the acquisition and the disposal had already been completed; and (ii) the grant of the Initial Loan and Additional Loans had already become effective, the Company will not convene a general meeting to seek ex-post facto approval from the shareholders and, accordingly, no circular will be despatched in respect of the acquisition and the Loans.

In order to avoid the recurrence of similar events in the future, the following remedial measures have been/will be taken by the Group to ensure that the Listing Rules are strictly complied with:

(i) a training session on the requirements under Chapter 14 of the Listing Rules by a Hong Kong legal firm for the directors, senior management and relevant staff of the Group has been conducted on 21 February 2025;

(ii) the Company has hired professional consultants (the "IC Consultant") to review its internal controls in respect of compliance with the Listing Rules on 20 February 2025; and

(iii) the Company will arrange regular training by a Hong Kong legal firm for the relevant staff in order to refresh their knowledge and skills and keep abreast of the Listing Rules requirements.

The internal control review ("IC Review") has been completed by the IC Consultant on 26 May 2025. The findings of the IC Review have been disclosed in the announcement of the Company dated 26 May 2025. The Company is committed to improving its internal control environment according to the recommendations of the IC Consultant. The Group has set out timeline to adopt and implement the remedial actions with substantial implementation expected within 4 to 6 weeks. The IC Consultant is conducting a follow-up review to assess the remedial actions which have been substantially implemented at end of June 2025. Further announcement(s) will be made by the Company upon the completion of the follow-up review by the IC Consultant.

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, 23 April 2024, 4 March 2025 and 26 May 2025.

(iii) Termination 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 earnout 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 (the "Long Stop Date") of the transaction from 31 October 2024 to 28 February 2025. On 28 February 2025, the Long Stop Date has been further extended to 30 June 2025. As no agreement was reached by the parties to further extend the Long Stop Date, the agreement shall terminate.

Further details of the above has been disclosed in the announcements of the Company dated 7 July 2024, 21 August 2024, 30 September 2024, 31 October 2024, 28 February 2025 and 30 June 2025.

Save as the above and entering of the Settlement Deed in respect of Jinmei Devleopments on 3 July 2025 as detailed in section headed "Research and development and sale of functional food", there were no other material acquisitions and disposals during the year and up to date of this announcement.

SIGNIFICANT INVESTMENT

The Group had no significant investment of carrying value of 5% or more of the total assets as at 31 March 2025 (2024: nil).

FUND RAISING ACTIVITY

On 8 July 2024, the Company, Treasure Wagon Limited ("Treasure Wagon", a company wholly owned by Mr. Zhang Fan who is the chairman of the Company) 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) placees 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 announcement, all net proceeds of approximately HK$9.8 million has been used as intended. 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.

PROPOSED SUBSCRIPTIONS OF NEW SHARES AND RIGHTS ISSUE

On 13 November 2024, the Company and Ample Colour Limited ("Ample Colour"), which is wholly owned by Mr. Ying Wei (a former non-executive director of the Company during the period from June 2016 to May 2018), entered into a non-legally binding letter of intent for subscription of shares in an aggregate amount of not less than HK$50 million.

On 30 April 2025, the Company entered into the subscription agreements (the "Subscription Agreements") with Ample Colour, Perfect Link Group Limited which is wholly owned by Ms. Ying Rensi (the daughter of Mr. Ying Wei) and Ms. Wu Linling in relation to the issue and subscription of a total of 700,000,000 new shares at the subscription price of HK$0.1 per subscription share. Pursuant to the Subscription Agreements, the subscription shares shall be allotted and issued simultaneously with that of the new share(s) to be allotted and issued under the Rights Issue (as defined below). For the avoidance of doubt, the subscription shares will not be entitled to the Rights Issue.

The Company also proposed to implement the rights issue (the "Rights Issue") on the basis of three (3) rights shares for every ten (10) shares at the issue price of HK$0.1 per rights share to raise a gross amount of in the range of between approximately HK$14.7 million and approximately HK$15.0 million. The minimum and maximum number of rights shares to be issued pursuant to the Rights Issue are 147,493,428 and 149,848,428 rights shares respectively.

Each of Mr. Zhang Fan (the Chairman of the Company) and Treasure Wagon (a company wholly owned by Mr. Zhang and being the underwriter of the Rights Issue as detailed below) has unconditionally and irrevocably undertaken to the Company that each of them will take up the 392,220 rights shares and the 40,797,600 rights shares, respectively, under each of their entitlement pursuant to the terms of the Rights Issue.

On 30 April 2025, the Company and the Great Bay Securities Limited as the placing agent (the "Placing Agent") entered into the placing agent agreement (the "Placing Agent Agreement") for subscription for the unsubscribed rights shares on a best effort basis. The placing price of the unsubscribed rights shares shall be not less than the subscription price of HK$0.1 per subscription share. The final price determination will be determined based on the demand for and market conditions of the unsubscribed rights shares during the placing.

On 30 April 2025, the Company also entered into the underwriting agreement (the "Underwriting Agreement") with Treasure Wagon Limited in respect of the Rights Issue for subscription of untaken rights shares, being all the unsubscribed rights shares that are not successfully placed by the Placing Agent (up to 108,658,608 rights shares).

The subscription of shares and the Underwriting Agreement will be subject to the approval of the independent shareholders at the special general meeting under the Listing Rules. An application has been made by Ample Colour to the Securities and Futures Commission of Hong Kong ("SFC") for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Underwriting Agreement, the Placing Agent Agreement and the transactions contemplated thereunder constitute special deals under Rule 25 of the Takeovers Code which also require the approval from SFC. Application for special deals consent have been made by the Company to SFC.

The gross proceeds and net proceeds from the subscriptions and the Rights Issue are expected to be approximately HK$84.7 million and HK$80.9 million, respectively. The estimated net subscription price and issue price are both at approximately HK$0.095 per subscription share and rights share. The Company intends to apply the net proceeds: (a) as to approximately HK$65.3 million for settlement of payables of the Group; (b) as to approximately HK$12 million for repayment of principal of the Settlement Note to be issued under the Settlement Deed; and (c) as to approximately HK$3.6 million as working capital of the Group.

The above fund raising activities have not been completed as at date of the announcement. Further details of the above have been disclosed in the announcements of the Company dated 22 May 2025, 12 June 2025 and 3 July 2025.

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 year. As at 31 March 2025, the Group's cash and cash equivalents amounted to approximately HK$1.0 million (2024: HK$4.0 million). As at 31 March 2025, the current assets and net current liabilities of the Group are approximately HK$114.6 million (2024: HK$129.0 million) and HK$17.3 million (2024: net current assets of HK$16.9 million) respectively, representing a current ratio of 0.88 (2024: 1.15).

As at 31 March 2025, the Group has certain bank loans, which were denominated in Renminbi, amounting to approximately HK$5.4 million (2024: HK$5.5 million). The loans carried interest ranging from loan prime rate (LPR) minus 50 basis points (0.01% per basis point) and repayable on demand.

As at 31 March 2025, a provision for other payable of US$4 million (equivalent to approximately HK$31.2 million) in respect of the Appeal Judgment as disclosed in note 13 of this announcement was included in other payables and accrued expenses (2024: nil).

As at 31 March 2025, the gearing ratio was 0.25 (2024: 0.03), calculated by the mentioned other payable of HK$31.2 million (2024: nil) and bank borrowings of approximately HK$5.4 million (2024: HK$5.5 million) (representing debts owed by the Company) by total assets of the Company of approximately HK$147.3 million (2024: HK$192.3 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 13 of this announcement.

CONTINGENT LIABILITIES

As at 31 March 2025, there were no material contingent liabilities of the Group (2024: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2025, there were no charge on the Group's assets (2024: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2025, the Group employed 148 employees (2024: 118). The total staff cost including Directors' emoluments was approximately HK$16.7 million as compared to approximately HK$15.7 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 2025.

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.

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 2025, the Company has applied the principles in the Corporate Governance Code (the "Code") as stated in Appendix C1 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 2025 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 year. In June 2025, the Company has bought the Directors' and officers' liability insurance and therefore has complied with C1.8 of the Code accordingly.

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

The Company has adopted the Model Code as set out in Appendix C3 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 year.

REVIEW OF ANNUAL RESULTS

The Group's Audit Committee, which comprises of four independent non-executive Directors, namely Mr. Lai Liangquan, Mr. Jiang Xuejun, Mr. Du Yanhua and Ms. Yang Huimin, has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2025.

SCOPE OF WORK OF BEIJING XINGHUA CAPLEGEND CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2025 as set out in the preliminary announcement have been agreed by the Group's auditor, Beijing Xinghua Caplegend CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Beijing Xinghua Caplegend CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Beijing Xinghua Caplegend CPA Limited on the preliminary annuncement.

RESUMPTION OF TRADING OF THE COMPANY'S SHARES

At the request of the Company, trading in the shares of the Company has been suspended since 9:00 a.m. on 2 July 2025 pending the issue of this announcement. Application has been made for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 7 July 2025 following the publication of this announcement.

By order of the Board
China Health Group Limited
Chung Ho
Executive Director and Chief Executive Officer

Hong Kong, 4 July 2025

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhang Fan (chairman), Mr. Chung Ho and Mr. Xing Yong; two non-executive Directors, namely, Mr. Huang Lianhai and Mr. Wang Jingming; and four independent non-executive Directors, namely, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Yang Huimin.