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**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)

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The board (the "Board") of directors (the "Directors") of China Health Group Limited (the "Company") would like to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2020 (the "Period"). These unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee of the Company.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	5	33,414	20,865
Cost of good sold/services rendered		<u>(24,130)</u>	<u>(12,614)</u>
Gross profit		9,284	8,251
Other income	6	3,832	3,578
Other gain, net	6	29	552
Share-based payment		(496)	—
Administrative expenses		(15,038)	(13,739)
Finance costs	7	<u>(150)</u>	<u>(40)</u>
<b>LOSS BEFORE TAX</b>	8	<b>(2,539)</b>	<b>(1,398)</b>
Income tax	9	<u>(438)</u>	<u>(1,035)</u>
<b>LOSS FOR THE PERIOD</b>		<b><u>(2,977)</u></b>	<b><u>(2,433)</u></b>
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(3,999)	(2,603)
Non-controlling interest		<u>1,022</u>	<u>170</u>
		<b><u>(2,977)</u></b>	<b><u>(2,433)</u></b>
LOSS PER SHARE			
– Basic and diluted (HK cents)	10	<b><u>(0.10)</u></b>	<b><u>(0.06)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Notes		
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<u>2,280</u>	<u>(10,324)</u>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF INCOME TAX OF NIL</b>	<u>2,280</u>	<u>(10,324)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<u><u>(697)</u></u>	<u><u>(12,757)</u></u>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	(1,905)	(13,063)
Non-controlling interest	<u>1,208</u>	<u>306</u>
	<u>(697)</u>	<u>(12,757)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 <i>Notes</i> <b>HK\$'000</b> <b>(Unaudited)</b>	31 March 2020 <i>HK\$'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>24,546</b>	24,295
Right-of-use assets		<b>4,943</b>	5,034
Goodwill		<b>23,567</b>	22,603
Investment in associate	16	<u>—</u>	<u>—</u>
Total non-current assets		<u><b>53,056</b></u>	<u>51,932</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>7,088</b>	6,560
Trade receivables	12	<b>44,923</b>	35,838
Prepayments, deposits and other receivables		<b>12,084</b>	5,013
Loan and interest receivables	11	<b>90,454</b>	87,243
Cash and bank balances		<u><b>3,923</b></u>	<u>10,245</u>
Total current assets		<u><b>158,472</b></u>	<u>144,899</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>15,185</b>	14,099
Other payables and accrued expenses		<b>78,766</b>	69,864
Contract liabilities		<b>767</b>	2,422
Lease liabilities		<b>1,526</b>	1,266
Tax payables		<b>7,231</b>	6,383
Amount due to a director		<b>2,713</b>	199
Bank borrowing	14	<u><b>3,424</b></u>	<u>—</u>
Total current liabilities		<u><b>109,612</b></u>	<u>94,233</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 September 2020

		30 September 2020 <i>Notes</i> <b>HK\$'000</b> <b>(Unaudited)</b>	31 March 2020 <i>HK\$'000</i> <i>(Audited)</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<u>1,383</u>	<u>1,864</u>
Total non-current liabilities		<u>1,383</u>	<u>1,864</u>
<b>NET CURRENT ASSETS</b>		<u>48,860</u>	<u>50,666</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>101,916</u>	<u>102,598</u>
<b>NET ASSETS</b>		<u><u>100,533</u></u>	<u><u>100,734</u></u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	15	413,995	413,995
Reserves		<u>(318,432)</u>	<u>(317,023)</u>
		95,563	96,972
Non-controlling interests		<u>4,970</u>	<u>3,762</u>
<b>TOTAL EQUITY</b>		<u><u>100,533</u></u>	<u><u>100,734</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2019 (audited)	409,395	525,958	57,124	3,109	4,000	(869,169)	130,417	1,628	132,045
(Loss)/profit for the period	-	-	-	-	-	(2,603)	(2,603)	170	(2,433)
Other comprehensive (expense)/income for the period	-	-	-	(10,460)	-	-	(10,460)	136	(10,324)
Total comprehensive (expense)/income for the period	-	-	-	(10,460)	-	(2,603)	(13,063)	306	(12,757)
Recognition of share-based payment	-	-	-	-	1,018	-	1,018	-	1,018
Lapsed of share options	-	-	-	-	(464)	464	-	-	-
Subscription of shares	4,600	-	-	-	-	-	4,600	-	4,600
At 30 September 2019 (unaudited)	<u>413,995</u>	<u>525,958</u>	<u>57,124</u>	<u>(7,351)</u>	<u>4,554</u>	<u>(871,308)</u>	<u>122,972</u>	<u>1,934</u>	<u>124,906</u>
At 1 April 2020 (audited)	413,995	525,958	57,124	(8,183)	5,394	(897,316)	96,972	3,762	100,734
(Loss)/profit for the period	-	-	-	-	-	(3,999)	(3,999)	1,022	(2,977)
Other comprehensive income for the period	-	-	-	2,094	-	-	2,094	186	2,280
Total comprehensive income/(expense) for the period	-	-	-	2,094	-	(3,999)	(1,905)	1,208	(697)
Recognition of share-based payment	-	-	-	-	496	-	496	-	496
At 30 September 2020 (unaudited)	<u>413,995</u>	<u>525,958</u>	<u>57,124</u>	<u>(6,089)</u>	<u>5,890</u>	<u>(901,315)</u>	<u>95,563</u>	<u>4,970</u>	<u>100,533</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(5,896)	(3,483)
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(679)	189
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<u>2,455</u>	<u>(2,534)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,120)	(5,828)
Effect of foreign exchange rate changes, net	(2,202)	(2,077)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>10,245</u>	<u>29,934</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>3,923</u></u>	<u><u>22,029</u></u>
Analysis of cash and cash equivalents:		
Cash and bank balances	<u><u>3,923</u></u>	<u><u>22,029</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2020*

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda; and principal place of business is located at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

## 2. BASIS OF PREPARATION

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

The accounting policies and the basis of preparation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except for when otherwise indicated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2020.



### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 3.1 *Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Application of amendments to HKFRSs (Continued)

#### 3.2 *Impacts and accounting policies on application of Amendments to HKFRS 3 "Definition of a Business"*

##### 3.2.1 *Accounting policies*

##### **Business combinations or asset acquisitions**

##### Optional concentration test

Effective from 1 April 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

##### 3.2.2 *Transition and summary of effects*

The amendments had no impact on the condensed consolidated financial statements of the Group.

#### 3.3 *Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39 AND HKFRS 7 "Interest Rate Benchmark Reform".*

##### 3.3.1 *Accounting policies*

##### **Hedge accounting**

For the purpose of determining whether a forecast transaction (or a component thereof) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

##### Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

### 3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Application of amendments to HKFRSs (Continued)

#### 3.3 *Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39 AND HKFRS 7 “Interest Rate Benchmark Reform”.* (Continued)

##### 3.3.1 *Accounting policies* (Continued)

##### **Hedge accounting** (Continued)

##### Cash flow hedges

For the purpose of reclassifying the amount of accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

##### 3.3.2 *Transition and summary of effects*

The amendments had no impact on the condensed consolidated financial statements of the Group as the Group’s designated hedged items.

### 4. **OPERATING SEGMENT INFORMATION**

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

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

- (i) Distribution and service in medical equipment and consumables;
- (ii) hospital operation management services;
- (iii) Business service; and
- (iv) Property investment.

#### 4. OPERATING SEGMENT INFORMATION (Continued)

Segment assets excluded available-for-sale investments and other corporate assets as these assets are managed on a group basis.

Segment liabilities excluded amounts due to de-consolidated subsidiaries and other corporate liabilities as these liabilities are managed on a group basis.

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 30 September 2020 and 2019.

	Distribution and service in medical equipment and consumables		Hospital operation management services		Business service		Property investment		Total	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Segment revenue:										
Revenue from external customers	<u>24,435</u>	<u>15,382</u>	<u>8,423</u>	<u>2,663</u>	<u>556</u>	<u>2,190</u>	<u>-</u>	<u>630</u>	<u>33,414</u>	<u>20,865</u>
<b>Segment results</b>	<u><b>807</b></u>	<u><b>(734)</b></u>	<u><b>(1,090)</b></u>	<u><b>3,146</b></u>	<u><b>(1,199)</b></u>	<u><b>1,067</b></u>	<u><b>-</b></u>	<u><b>631</b></u>	<u><b>(1,482)</b></u>	<u><b>4,110</b></u>
Reconciliation:										
Interest income and unallocated gains									<u>81</u>	<u>1</u>
Corporate and other unallocated expenses									<u>(1,138)</u>	<u>(5,509)</u>
Loss before tax									<u><b>(2,539)</b></u>	<u><b>(1,398)</b></u>
Depreciation and amortisation	<u>183</u>	<u>9</u>	<u>1,628</u>	<u>644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>1,811</b></u>	<u><b>653</b></u>

#### 4. OPERATING SEGMENT INFORMATION (Continued)

The following tables are an analysis of the Group's assets as at 30 September 2020 and 31 March 2020:

	As at 30 September 2020 (Unaudited)				
	Distribution and service in medical equipment and consumables HK\$'000	Hospital operation management services HK\$'000	Business service HK\$'000	Property investment HK\$'000	Total HK\$'000
SEGMENT ASSETS	31,696	111,088	67,500	-	210,284
Corporate and other unallocated assets					1,244
Total assets					<u>211,528</u>
SEGMENT LIABILITIES	9,447	26,240	8,723	-	44,410
Corporate and other unallocated liabilities					66,585
Total liabilities					<u>110,995</u>

	As at 31 March 2020 (Audited)				
	Distribution and service in medical equipment and consumables HK\$'000	Hospital operation management services HK\$'000	Business service HK\$'000	Property investment HK\$'000	Total HK\$'000
SEGMENT ASSETS	20,594	79,139	60,738	35,226	195,697
Corporate and other unallocated assets					1,134
Total assets					<u>196,831</u>
SEGMENT LIABILITIES	7,070	24,760	964	2,066	34,860
Corporate and other unallocated liabilities					61,237
Total liabilities					<u>96,097</u>

#### 4. OPERATING SEGMENT INFORMATION (Continued)

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
People's Republic of China ("PRC")	33,308	20,865
Germany	106	–
	<u>33,414</u>	<u>20,865</u>

#### 5. REVENUE

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue:</b>		
Income from distribution and service in medical equipment and consumables	24,435	15,382
Income from provision of hospital operation and management services ( <i>Note</i> )	8,423	2,663
Business service	556	2,190
Rental income	–	630
	<u>33,414</u>	<u>20,865</u>

*Note:* For the six months ended 30 September 2020, the amount comprises the hospital operation income from Anping Hospital of approximately HK\$6,922,000 and the management fee income from Shuangluan Hospital of approximately HK\$1,501,000. For the six months ended 30 September 2019, the amount comprises the management fee income from Shuangluan Hospital and Anping Bo'ai Hospital of approximately HK\$2,663,000.

## 6. OTHER INCOME/OTHER GAIN, NET

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(i) Other income		
Bank interest income	62	321
Loan interest income	3,263	3,161
Sundry income	507	96
	<u>3,832</u>	<u>3,578</u>
(i) Other gain, net		
Impairment loss reversed on loan and interest receivables	257	–
Impairment loss (recognised)/reversed on trade receivables	(113)	552
Impairment loss recognised on other receivables	(115)	–
	<u>29</u>	<u>552</u>

## 7. FINANCE COSTS

	Six months ended 30 September	
	2020 HK'000 (Unaudited)	2019 HK'000 (Unaudited)
Interest on lease liabilities	146	40
Interest on bank borrowing	4	–
	<u>150</u>	<u>40</u>

## 8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of right-of-use assets	<b>671</b>	357
Depreciation of property, plant and equipment	<b>1,355</b>	47
Loss on disposal of property, plant and equipment	<b>149</b>	17
Amortisation of intangible assets	–	637
Share-based payment expenses	<b>496</b>	1,018
Interest income	<b>(3,325)</b>	(3,482)

## 9. INCOME TAX

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

Subsidiaries established in the People's Republic of China (the "PRC") are subject to the PRC enterprise income tax at the standard rate of 25% (2019: 25%).

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax – PRC		
Provision for the period	<b>438</b>	1,035



## 10. LOSS PER SHARE

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss attributable to owners of the Company, used in the basic loss per share calculation	<u>(3,999)</u>	<u>(2,603)</u>
<b>Number of shares</b>	<b>2020 '000</b>	<b>2019 '000</b>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><b>4,139,948</b></u>	<u>4,104,816</u>

For the period ended 30 September 2020 and 2019, the outstanding share options had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share.

## 11. LOAN AND INTEREST RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Loan receivables – unsecured	<u>90,454</u>	<u>87,243</u>

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within one year	<u>90,454</u>	<u>87,243</u>

The above loan and interest receivables are based on the covenants set out in the relevant loan agreements and the Company will demand repayment from the counterparties in respect of the loan and interest receivables pursuant to the covenants.

# 11. LOAN AND INTEREST RECEIVABLES (Continued)

Movement of loan and interest receivables are as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Beginning of the period	87,243	93,451
Additions	3,380	16,062
Repayment	(4,133)	(2,277)
Acquisition of subsidiary	–	(10,339)
Reversal of over-provision/(provision) of Impairment allowance, net	257	(3,417)
Exchange realignment	3,707	(6,237)
End of the period	<u>90,454</u>	<u>87,243</u>

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

	30 September 2020 (Unaudited)		31 March 2020 (Audited)	
	%	HK\$'000	%	HK\$'000
Fixed rate:				
Loan receivables	7	90,454	7	85,306
Loan receivables	8	–	8	1,937
		<u>90,454</u>		<u>87,243</u>

## 12. TRADE RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
<b>Trade receivables:</b>		
Distribution and service in medical equipment and consumables	18,748	12,138
Hospital operation and management services	22,664	20,774
Business service	3,511	2,926
	<u>44,923</u>	<u>35,838</u>

The Group's credit policies for each of its principal activities are as follows:

- (i) Income from distribution and service in medical equipment and consumables business is with credit terms of 90 days;
- (ii) Provision of hospital operation and management services is with credit terms of 0 to 90 days; and
- (iii) Provision of business service is with credit terms of 30 days.

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 1 month	4,135	3,979
2 to 3 months	9,547	1,627
over 3 months	31,241	30,232
	<u>44,923</u>	<u>35,838</u>

**12. TRADE RECEIVABLES (Continued)**

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

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	<b>31 March 2020 HK\$'000 (Audited)</b>
Within 90 days	<b>5,011</b>	10,260
91 – 180 days	<b>2,486</b>	2,573
Over 180 days	<b>22,427</b>	19,509
	<b>29,924</b>	32,342

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

**13. TRADE PAYABLES**

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	<b>31 March 2020 HK\$'000 (Audited)</b>
Trade payables	<b>15,185</b>	14,099

**13. TRADE PAYABLES (Continued)**

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

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	<b>31 March 2020 HK\$'000 (Audited)</b>
Within one month	<b>1,376</b>	1,604
One to three months	<b>1,929</b>	1,440
Over three months	<b>11,880</b>	11,055
	<b><u>15,185</u></b>	<b><u>14,099</u></b>

**14. BANK BORROWING**

As at 30 September 2020, the Group has new bank loan amounting to HK\$3,424,000 (As at 31 March 2020: Nil). The loan carry interest at LPR plus 0.25% and repayable within three months from September 2020.

**15. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Authorised:		
Ordinary shares of HK0.1 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	<b>100,000,000,000</b>	<b>10,000,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 April 2019	4,093,947,634	409,395
Subscription of shares (Note)	<b>46,000,000</b>	<b>4,600</b>
<b>At 31 March 2020, 1 April 2020 and 30 September 2020</b>	<b><u>4,139,947,634</u></b>	<b><u>413,995</u></b>

## 15. SHARE CAPITAL (Continued)

*Note:*

On 11 September 2018, the Company and the Trust entered into the subscription agreement in relation to subscription of 100,000,000 ordinary shares of HK\$0.10 per share. On 17 December 2018 and 19 August 2019, an aggregate of 54,000,000 and 46,000,000 subscription shares were successfully allotted and issued to subscriber. The net proceeds of approximately HK\$5,000,000 and HK\$4,600,000 will be used for future business development, investment and general working capital purposes.

## 16. CAPITAL COMMITMENT

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Capital expenditure in respect of the establish of investment in associate contracted for but not provided in the consolidated financial statements	<u>2,282</u>	<u>2,189</u>

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

- (a) Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.
- (b) On 20 October 2020, 140,500,000 share options were granted to certain eligible participants under the Share Option Scheme with an exercise price of HK\$0.18 per option and the validity period of ten years from the date of grant. The fair value of share option expense will be charged to profit and loss and the corresponding amount will be credited to share option reserve. Details of which are set out in the Company's announcement dated 20 October 2020.

## 18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved by the Board on 30 November 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS REVIEW

For the Period, the Group reported a revenue of approximately HK\$33.4 million, representing a significant increase as compared to approximately HK\$20.9 million for the previous period. The revenue comprises (a) trading income of medical equipment of approximately HK\$24.4 million (2019: HK\$15.4 million); (b) income from hospital operation management services of approximately HK\$8.4 million (2019: HK\$2.7 million); and (c) income from business factoring business of approximately HK\$0.6 million (2019: HK\$2.2 million). The increase in revenue was mainly due to significant increase in revenue from trading income of medical equipment during the Period. In 2019, there was income from property investment of HK\$0.6 million. There was no such revenue during the Period as the property investment business has been terminated following completion of acquisition of Anping Bo'ai Hospital for the year ended 31 March 2020 as stated below.

The Group's loss attributable to shareholders for the Period was approximately HK\$4 million as compared to approximately HK\$2.6 million for the previous financial period. The increase in net loss was mainly attributable to increase in administrative expenses incurred for Anping Bo'ai Hospital during the Period. Basic loss per share for the Period was HK0.10 cents (2019: HK0.06 cents).

### REVIEW OF BUSINESS OPERATION

For the Period, the existing business segments of the Group comprise (a) medical equipment and consumables distribution and service business; (b) hospital operation and management services business; and (c) business factoring business.

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

During the Period, the Group recorded revenue of approximately HK\$24.4 million (2019: HK\$15.4 million), representing an increase of 58.9% compared with last corresponding period, and operating profit approximately HK\$0.8 million (2019: loss of HK\$0.7 million) from medical equipment and consumables distribution and service business respectively.

In the first half of 2020, the businesses of the Group are inevitably affected by the outbreak of Novel Coronavirus (COVID-19) in Wuhan and surrounding areas in Hubei Province. However, benefiting from the advantages of its subdivided industries and good relationships with hospital customers and various manufacturers' brands, Mageruizi Wuhan, the principal business of the Group, overcame various difficulties, on the one hand, it vigorously expanded new hospital customers, including a batch of top-quality hospitals such as Hubei Provincial People's Hospital (湖北省人民醫院) and Zhongnan Hospital of Wuhan University; on the other hand, it conducted in-depth cooperation with well-known domestic and foreign manufacturers, for which it not only introduced new partners including Microport Scientific Corporation, but also undertook the platform functions of manufacturers such as Boston Scientific Corporation in central China. Against the background of the epidemic in the first half of this year, it still achieved a substantial increase in sales. It is expected to usher in a better development momentum in the second half of this year.

Currently, the Group's medical equipment and consumables distribution mainly focuses on minimally invasive interventional therapy related to coronary heart disease, mainly providing related equipment and consumables for PCI surgery (Percutaneous coronary intervention, which refers to a treatment method of using transcatheter catheter technology to unclog coronary lumens of stenosis or even occlusion, thereby improving the blood perfusion of myocardium). It is expected that the number of PCI surgery will continue to grow at an annual rate of approximately 13% to 16% in the next 3 to 5 years, reflecting a huge room for growth.

The core competitiveness of the Group PCI business is taking shape, being to build a service network of well-known hospitals of more than three levels with Wuhan as its center, further development in Hubei and covering central China, establish good strategic partnerships with leading manufacturers around the world, and create a relatively influential equipment supply platform for the entire industry chain in the region, which centers on the each link of PCI surgery by integrating cardiovascular interventional devices such as balloons, guidewire catheters, etc., cardiovascular implantable apparatus such as stents, occluders, valves, etc., and cardiac rhythm management device such as pacemakers, pacing electrode leads, etc.

In the medium and long term, the Group targets to march from a platform supplier to a brand manufacturer. While expanding the business scale and creating an influential platform, Mageruizi Wuhan will continue to explore the manufacturing business of PCI equipment segment and gain a firm presence in the field of manufacturing and continue to extend. Over time, the Group will develop into a leading enterprise integrating R&D, manufacturing and sales in the PCI industry.



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

***Shuangluan Hospital***

The Group obtained the operation right of 承德市雙灤區人民醫院暨承德市精神病醫院 (Shuangluan District, Chengde City Hospital (Chengde City Psychiatric Hospital)) (“Shuangluan Hospital”) in July 2015 and introduced a new management model to the hospital. Through the introduction of information technology system, the reorganization of management structure, and the implementation of full cost performance appraisal and meticulous management, the hospital has achieved significant improvement. Shuangluan Hospital was relocated to a new site in August 2016. The new hospital has completed construction area of 37,000 square meters and 400 beds in the first phase. The second phase construction of “Psychiatry Building” has been completed and the “Psychiatry Building” provides 400 beds to psychiatry department.

The Group is entitled to a management fee equivalent to 3% of the revenue of Shuangluan Hospital and recorded management fee of approximately HK\$1.5 million (2019: HK\$2.1 million) and operating profit of approximately HK\$1.4 million (2019: HK\$4.1 million) during the Period. The Group is actively negotiating with Shuangluan hospital and the Shuangluan District People’s Government of Chengde City on the principal and interest of the loan due from Shuangluan hospital.

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

The Group completed acquisition of 70% equity interests of 安平博愛醫院 (“Anping Bo’ai Hospital”) in October 2019 and remaining 30% equity interests of Anping Bo’ai Hospital in March 2020. Anping Bo’ai Hospital has been reorganized into Anping Kangrong Hospital Company Limited and has become an indirect wholly-owned subsidiary of the Company and changed to a private 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 at the Anping Bo’ai Hospital. 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\$6.9 million and operating loss of approximately HK\$2.5 million during the Period. In 2019, the Group recorded management fee of approximately HK\$0.6 million.

**(c) Business factoring business**

During the Period, the Group continues to conduct business factoring business for hospitals which also brings in revenue and profits to the Group as well as provides the necessary funding to hospitals for improving quality of services by these hospitals.

During the Period, the outbreak of novel coronavirus (COVID-19) has impacted the operations of the Group, which are mostly based in the PRC. Due to the closures of cities and the measures taken by the local government in the PRC, the Group has been in limited operations in the PRC. Nevertheless, the Group has adopted “work from home” policy as far as possible to maintain the basic operations of the Group and used the best endeavours to minimise the impact. The Group is resuming its operations gradually following the stabilisation of the outbreak of COVID-19 in the PRC.

**FUTURE PROSPECT**

With the continuous social and economic development, urbanization and huge ageing population in Mainland China, the medical and healthcare industry has shown a diversified and continuous growth in recent years. Especially in the fields of biomedicine, high-end medical equipment and advanced treatment technology, it has achieved rapid development in recent years, showing huge market potential and creating good conditions for the Group to expand its business fields. The Group’s cardiovascular device and consumables distribution and services business has come a long way, and a distribution network has been established in the Central China. In the future, the Group will continue to invest more resource to further expand the distribution network and gradually increase the number of distribution line. Meanwhile, with an aim to gain a foothold in cardiovascular device filed, the Group seeks opportunity to integrate the industry chain of cardiovascular device and gradually enter into the field of cardiovascular device production and research and development.

Hospital operation and management remains an important business of the Group. In the future, the Group will focus on the development of self-operated hospital specialized in cardiovascular field and strengthen the cooperation with cardiovascular specialist groups. In recent years, the government has continuously strengthened the public welfare function. The commercial custody of public hospitals faces uncertain policy risks. The Group will reassess and adjust the public hospital custody business from time to time.

In the future, the Group will take advantage of the tremendous opportunities for the development of the medical and big health industry, especially the business opportunity for import substitution of high value medical device. We will focus on market segments such as cardiovascular device, and gradually build itself into a professional device supplier with research and development, manufacturing and sales ability. The board of directors believe that adhering to this strategy, the Group will continue to improve its operating performance and create reasonable return for shareholders.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

On 24 April 2020, the Group entered into a non-binding memorandum of understanding (the “MOU”) with Mission Venus International (HK) Company Limited (the “Mission Venus”) which is primarily engaged in research and development of Chinese Herbal Skincare Products with its own special formula. The MOU relates to, among other things, (i) the proposed formation of a joint venture company; and (ii) leverage on the Company’s healthcare industry network to distribute Mission Venus’s products through the proposed joint venture to healthcare institutions in China. The MOU has been lapsed as at date of this announcement. Further details of the above were set out in the announcements of the Company dated 24 April 2020 and 24 June 2020.

On 26 June 2020, the Company entered into a non-binding memorandum of understanding with Beijing Bowei Zhixin Investment Management Company Limited (the “General Partner”) regarding potential investment of not more than RMB30 million as a limited partner in a fund (the “Fund”) being established and to be managed by the General Partner. The Fund is an industrial investment sub-fund of the national science and technology achievement transformation guidance fund approved by the Ministry of Science and Technology of the People’s Republic of China in January 2020. The Fund will have an initial size of RMB1,000 million and focus on investments in the medical equipment, bio-pharmaceutical and medical services sectors. Further details of the above were set out in the announcement of the Company dated 26 June 2020.

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

## **FUND RAISING ACTIVITY**

On 28 August 2020, the Company entered into the placing agreement with a placing agent, Yuet Sheung International Securities Limited, in relation to placing of up to 400,000,000 shares at placing price of HK\$0.10 per placing share on a best effort basis. The placing agreement has been terminated on 18 September 2020. Further details of the above were set out in the announcements of the Company dated 28 August 2020 and 18 September 2020.

There was no other fund raising activity during the Period.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group mainly financed its day to day operations by internally generated cash flow during the Period. As at 30 September 2020, the Group's cash and cash equivalents amounted to approximately HK\$3.9 million (31 March 2020: HK\$10.2 million).

As at 30 September 2020, the current assets and net current assets of the Group are approximately HK\$158.5 million (31 March 2020: HK\$144.9 million) and HK\$48.9 million (31 March 2020: HK\$50.7 million) respectively, representing a current ratio of 1.44 (31 March 2020: 1.54).

As at 30 September 2020, a dividend payable on redeemable convertible cumulative preference shares in the sum of US\$4 million (31 March 2020: US\$4 million) (equivalent to approximately HK\$30.9 million), which is in dispute as disclosed in the section headed "Material litigations" below, was included in other payables and accrued expenses.

As at 30 September 2020, the Group has a bank loan, which was denominated in Renminbi, amounting to approximately HK\$3.4 million (31 March 2020: nil). The loan carried interest at loan prime rate (LPR) plus 0.25% and repayable within three months from September 2020.

As at 30 September 2020, the gearing ratio was 0.36 (31 March 2020: 0.32), calculated by dividing dividend payable on redeemable convertible cumulative preference shares and bank loans (representing debts owed by the Company) by shareholders' equity of approximately HK\$95.6 million (31 March 2020: HK\$97million).

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**

On 12 September 2016, the Company received a statutory demand (the "Statutory Demand") from Li Hong Holdings Limited ("Li Hong") in respect of repayment of dividend payable on redeemable convertible cumulative preference shares in the sum of US\$4.0 million (equivalent to approximately HK\$30.9 million) (the "Alleged Outstanding Sum"). Such amount has been included in other payables and accrued expenses in the Company's consolidated balance sheet. An originating summons (the "Originating Summons") under action number HCMP2593/2016 has been issued by the Company (as plaintiff) against Li Hong (as 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 windingup 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 following grounds: (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 1<sup>st</sup> defendant, Capital Foresight as 2<sup>nd</sup> defendant and Li Hong as 3<sup>rd</sup> defendant (together, the "Defendants"). Pursuant to the writ, the Company sought, amongst others, the following reliefs against the Defendants: (i) a declaration that the Capital Foresight Agreement executed by Mr. Li is void or voidable and unenforceable; and (ii) a declaration that the Loan Note is void or voidable and unenforceable, as announced in the announcement of the Company dated 8 November 2017. Following that announcement, acknowledgements 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 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, interest and costs. Pursuant to a Court order dated 19 January 2018, this action number HCA2569/2017 has been consolidated with the action number HCA2549/2017 (the "Consolidated Action").

In connection with the Consolidated Action and up to date of this announcement, the parties have filed their respective pleadings with the Court. On 2 April and 7 May 2019, the Company issued a summons against the Defendants and a third party individual for discovery of documents relevant to the consolidated action (the “Requested Documents”). On 12 December 2019, a hearing for the third party discovery action took place at the Court during which the Court ordered the said third party individual to file an affirmation in response to the Company’s request for documents and produce for inspection the Requested Documents save as those that could not be produced on the basis of legal professional privilege. In June 2020, the said third party individual filed affirmations pursuant to the said order. Separately, on 17 August 2020, Mr. Li took out two Summonses seeking, inter alia, (i) leave to file and serve witness statements of Zhou Bao Yi, Yan Shi Yun and Jiang Bo who were Directors and removed with effect from 5 June 2016 pursuant to the special resolutions passed at the Special General Meeting of the Company and (ii) security for costs against the Company. Both Summonses are pending disposal as at date of this announcement. The Company will keep the shareholders informed of the latest developments by making further announcement(s) as and when appropriate.

## **CONTINGENT LIABILITIES**

As at 30 September 2020, there were no material contingent liabilities of the Group (31 March 2020: nil).

## **CHARGE ON GROUP’S ASSETS**

As at 30 September 2020, there were no charge on the Group’s assets (31 March 2020: nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2020, the Group employed 117 employees (31 March 2020: 115). The total staff cost including Directors’ emoluments and share based payment of approximately HK\$0.5 million (2019: HK\$1 million) was approximately HK\$9.2 million as compared to approximately HK\$7.9 million for the previous period. The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the defined contribution retirement plans and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group. No share options were granted and 2,000,000 share options were lapsed during the Period. There were 131,900,000 outstanding share options as at 30 September 2020. On 20 October 2020, 140,500,000 share options were granted to directors and other certain eligible participants.



## **DIVIDEND**

The Directors do not recommend the payment of any interim dividend to shareholders (2019: Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the Period, except for the below deviations:

1. Under paragraph A.1.8 of the Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company was unable to find any insurance company to provide insurance cover during the Period and will continue to seek insurance companies to comply with the Code.
2. Under the A.4.1 of the Code, the non-executive Directors should be appointed for a specific term, subject to re-election. Currently, none of the non-executive Directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.
3. Under A.6.7 of the Code, independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Three non-executive Directors and three independent non-executive Directors did not attend the Company's annual general meeting held on 4 September 2020 due to their other unexpected business engagements.



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

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

## **NON-COMPLIANCE WITH LISTING RULE 3.10A**

The number of independent non-executive Directors falls below the minimum number required under Rule 3.10A of the Listing Rules again upon resignation of an independent non-executive Director on 22 January 2020. Following the appointment of Ms. Meng Junfeng as an independent non-executive Director on 21 April 2020, the Company has fulfilled the requirement under Rule 3.10A of the Listing Rules.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the unaudited interim financial statements for the six months ended 30 September 2020.

On behalf of the Board

**China Health Group Limited**

**Zhang Fan**

*Chairman of the Board and Executive Director*

Hong Kong, 30 November 2020

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