LIFE HEALTHCARE GROUP LIMITED
蓮和醫療健康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 928)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The board (the "**Board**") of directors (the "**Directors**") of Life Healthcare Group Limited (the "**Company**") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 together with comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Continuing operation			
Healthcare services revenue		**48,589**	47,615
Loan interest income		**14,898**	15,175
Total revenue	3	**63,487**	62,790
Cost of sales and services		**(27,984)**	(29,311)
Gross profit		**35,503**	33,479
Other interest income		**70**	61
Other income and gains	5	**17,179**	1,089
Selling and distribution expenses		**(48,507)**	(46,782)
Share of result of associates		**(9,245)**	(10,587)
Administrative and other expenses		**(115,901)**	(70,707)
Loss before tax		**(120,901)**	(93,447)
Income tax expense	6	**(533)**	(238)
Loss for the year from continuing operations	7	**(121,434)**	(93,685)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Discontinued operation			
Loss for the year from discontinued operations		**(20)**	(3,717)
Loss on disposal of a subsidiary		**(1,581)**	–
		(1,601)	(3,717)
Loss for the year		**(123,035)**	(97,402)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,661)**	7,015
Share of foreign currency translation reserve of associates		**(2,006)**	5,844
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary/subsidiaries		**798**	–
Fair value change of an available-for-sale investment		**–**	862
		(8,869)	13,721
Total comprehensive loss for the year		**(131,904)**	(83,681)
Loss attributable to owners of the Company			
— from continuing operations		**(117,253)**	(90,525)
— from discontinued operations		**(1,601)**	(3,717)
		(118,854)	(94,242)
Loss attributable to non-controlling interests			
— from continuing operations		**(4,181)**	(3,160)
— from discontinued operations		**–**	–
		(4,181)	(3,160)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(127,723)**	(80,394)
Non-controlling interests		**(4,181)**	(3,287)
		(131,904)	(83,681)
Loss per share	9		
Basic and diluted (HK cents)			
From continuing operations		**(2.20)**	(1.79)
From discontinued operations		**(0.03)**	(0.08)
From continuing and discontinued operations		**(2.23)**	(1.87)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**4,888**	22,822
Intangible assets		**–**	6,444
Interest in associates	*10*	**35,783**	67,626
Equity investment at fair value through other comprehensive income		**3,512**	–
Prepayment	*11*	**15,884**	17,979
		60,067	114,871
Current assets			
Investment at fair value through profit or loss/ available-for-sale investment	*12*	**–**	20,862
Inventories		**1,856**	7,264
Loan receivables	*13*	**191,471**	190,655
Loan interest receivables	*13*	**9,924**	8,353
Trade and other receivables	*14*	**16,203**	17,860
Bank balances and cash		**21,065**	29,635
		240,519	274,629
Assets directly associated with disposal group held for sale		**–**	30,923
		240,519	305,552
Current liabilities			
Trade and other payables	*15*	**10,615**	22,247
Contract liabilities		**800**	–
Tax payable		**830**	278
		12,245	22,525
Liabilities directly associated with disposal group held for sale		**–**	57
		12,245	22,582
Net current assets		**228,274**	282,970
Net assets		**288,341**	397,841
Capital and reserves			
Share capital	*16*	**53,543**	52,586
Reserves		**234,798**	346,221
Equity attributable to owners of the Company		**288,341**	398,807
Non-controlling interests		**–**	(966)
Total equity		**288,341**	397,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

Life Healthcare Group Limited (the "**Company**") is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law of the Cayman Islands on 12 March 2001 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as of 29 April 2002. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company in Hong Kong is Unit 3, 10/F., Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in healthcare services business, money lending business and securities trading and investments business. The Group was also engaged in education products and related services business which was discontinued in current year.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong is Hong Kong dollars ("**HK$**"). The functional currency of the Group's subsidiaries incorporated in the PRC is Renminbi ("**RMB**"). For the convenience of the consolidated financial statements users, the results and financial position of the Group are presented in HK$ as the Company's shares are listed on the Stock Exchange.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

A. HKFRS 9 (2014) "Financial Instruments"

Available-for-sale investment are now classified as investment at fair value through profit or loss.

HKFRS 9 (2014) has been applied and result in changes in the amounts reported in the consolidated financial statements as follows:

	As at 1 April 2018 *HK$'000*
Decrease in available-for-sale investment	(20,862)
Increase in investment at fair value through profit or loss	20,862
Decrease in accumulated losses	862
Decrease in investment revaluation reserve	(862)

B. HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has been applied and result in changes in the amounts reported in the consolidated financial statements as follows:

	As at 1 April 2018 *HK$'000*
Decrease in trade and other payables	4,115
Increase in contract liabilities	(4,115)

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

3. REVENUE

Revenue represents the amounts received and receivable for services provided by the Group to outside customers during the year.

	2019 ***HK$'000***	2018 *HK$'000*
Continuing operations		
Revenue from contracts with customers		
— Healthcare services	**48,589**	47,615
Loan interest income	**14,898**	15,175
	63,487	62,790

Disaggregation of revenue from contracts with customers:

Geographical markets

For the years ended 31 March 2019 and 2018, all revenues from healthcare services were recognised in PRC.

Timing of revenue recognition

For the years ended 31 March 2019 and 2018, all revenues from healthcare services were recognised at a point in time.

Healthcare services

The service income is recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received.

A receivable is recognised when the services are rendered 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.

4. SEGMENT INFORMATION

Information was reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focusing on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments has been modified as three, namely (i) healthcare services business, (ii) money lending business and (iii) securities trading and investments business and others.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss of each segment without allocation of interest income, other income and gains, share of result of associates and central administration costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources among segments, all assets and liabilities are allocated to operating segments on the basis of the revenue earned by individual reportable segment. Segment assets exclude interest in associates, equity investment at fair value through other comprehensive income, prepayment, investment at fair value through profit or loss/available-for-sale investment, assets classified as held for sale and unallocated corporate assets while segment liabilities exclude tax payable, liabilities associated with assets classified as held for sale and unallocated corporate liabilities. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment revenue and results

For the year ended 31 March 2019

Continuing operations

	Healthcare services business *HK$'000*	Money lending business *HK$'000*	Securities trading and investments business and others *HK$'000*	Total *HK$'000*
Revenue	**48,589**	**14,898**	**–**	**63,487**
Segment (loss)/profit	**(74,326)**	**3,002**	**(432)**	**(71,756)**
Interest revenue				**70**
Other income and gains				**17,179**
Share of result of associates				**(9,245)**
Unallocated expenses				**(57,149)**
Loss before tax				**(120,901)**

For the year ended 31 March 2018

Continuing operations

	Healthcare services business *HK$'000*	Money lending business *HK$'000*	Securities trading and investments business and others *HK$'000*	Total *HK$'000*
Revenue	47,615	15,175	–	62,790
Segment (loss)/profit	(76,080)	4,188	(1,407)	(73,299)
Interest revenue				61
Other income and gains				1,089
Share of result of associates				(10,587)
Unallocated expenses				(10,711)
Loss before tax				(93,447)

Geographical information

Healthcare services revenue for the years ended 31 March 2019 and 2018, were revenue derived from contracts with customers, the geographical information of revenue could be referred to note 3 to the consolidated financial statements in this announcement.

For the year ended 31 March 2019, loan interest income derived from Hong Kong and PRC were approximately HK$11,058,000 (2018: HK$15,175,000) and approximately HK$3,840,000 (2018: HK$Nil), respectively.

Information about the Group's non-current assets by geographical location of the assets are detailed below:

	2019 ***HK$'000***	2018 *HK$'000*
PRC	**44,147**	96,796
Hong Kong	**15,920**	18,075
	60,067	114,871

Information about major customers

During the year ended 31 March 2019 and 31 March 2018, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

5. OTHER INCOME AND GAINS

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
PRC loan interest income	**–**	941
Exchange gain, net	**1,376**	36
Gain on disposal of property, plant and equipment	**244**	–
Gain on disposal of subsidiaries	**12,646**	–
Sales of the consumable material	**1,997**	–
Sundry income	**916**	112
	17,179	1,089

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong Profits Tax:		
— Current tax	**552**	266
Overprovision of Enterprise income tax (the "**EIT**") in prior years	**(19)**	(28)
	533	238

For the year ended 31 March 2019, Hong Kong Profits Tax is calculated under two-tier profits tax system under first HK$2 million of estimated assessable profits is taxed at a rate of 8.25% and remaining estimated assessable profits is taxed at 16.5%. The Group should elect one of the Hong Kong subsidiaries to apply the two-tier profits tax rate.

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% from 1 January 2008 onwards.

7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Continuing operations

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**2,000**	1,668
Cost of inventories sold	**10,209**	13,274
Depreciation of property, plant and equipment	**7,115**	6,324
(Gain)/loss on disposal of property, plant and equipment	**(244)**	165
Research and development costs recognised as an expense	**199**	1,763
Operating lease charges	**7,115**	5,325
Impairment of interest in associates	**17,528**	—
Impairment of investment at fair value through profit or loss	**20,862**	—
Impairment of trade receivables	**77**	—
Directors' remuneration	**6,317**	11,015
Other staff costs	**49,887**	48,069
Retirement benefits scheme contributions, excluding directors	**12,023**	11,752
Total staff costs	**68,227**	70,836

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 March 2019 and 2018.

9. LOSS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year of approximately HK$118,854,000 (2018: approximately HK$94,242,000) attributable to owners of the Company and the weighted average number of approximately 5,331,886,000 (2018: approximately 5,051,710,000) ordinary shares in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 March 2019 and 2018.

(b) From continuing operations

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year of approximately HK$117,253,000 (2018: approximately HK$90,525,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 March 2019 and 2018.

(c) From discontinued operations

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year of approximately HK$1,601,000 (2018: approximately HK$3,717,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 March 2019 and 2018.

10. INTEREST IN ASSOCIATES

	2019	2018
	HK$'000	*HK$'000*
Unlisted investments:		
Share of net assets	**42,863**	57,626
Loan to an associate	**10,448**	10,000
Impairment loss	**(17,528)**	–
	35,783	67,626

11. PREPAYMENT

On 25 October 2017, the Group granted share options with a total fair value of HK$20,947,000 to certain consultants of the Group covering a service period up to October 2027. The Group recognised total expense of approximately HK$2,095,000 (2018: HK$873,000) for the year ended 31 March 2019 in relation to such share options granted. The remaining value of the options of approximately HK$17,979,000 (2018: HK$20,074,000) was carried as a prepayment as at 31 March 2019 to be charged to profit or loss over the service period of the consultants with approximately HK$15,884,000 (2018: HK$17,979,000) included in non-current assets and HK$2,095,000 (2018: HK$2,095,000) included in current assets.

12. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENT

	2019	2018
	HK$'000	*HK$'000*
Unlisted private fund in the PRC	**–**	20,862

The unlisted private fund represented a fund managed by a private fund manager registered and approved by the Asset Management Association of China and is measured as fair value. During the year, the Group has fully impaired the investment. Please refer to the Company's announcement dated (i) 4 May 2017 for further details of the fund and (ii) 24 April 2019 for further details of the fund impairment.

As at 31 March 2018, the Group invested approximately HK$20,862,000 in the investment fund which managed by the fund management company. The cost of the fund approximated to their fair value.

13. LOAN RECEIVABLES AND LOAN INTEREST RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Secured loan receivables	**191,471**	190,655

The loan receivables granted to customers are mainly ranging from 3–9 months. As at 31 March 2019, loans to third parties with an aggregate principal amount of approximately HK$191,471,000 (2018: HK$190,655,000) are secured, bear interest ranging from 5% to 18% (2018: from 9% to 18%) per annum and are repayable within one year and thus classified as current assets. The loan receivables are due for settlement at the date specified in the respective loan agreements.

As at 31 March 2019, loan receivables amounting to approximately HK$66,256,000 (2018: HK$190,655,000) together with interest receivables from the same third parties of approximately HK$6,664,000 (2018: HK$8,353,000) were guaranteed by independent third parties, HK$19,000,000 (2018: HK$Nil) together with interest receivables from the same third parties of approximately HK$838,000 (2018: HK$Nil) were secured by the equity interest of the corresponding borrower's subsidiary and HK$106,215,000 (2018: HK$Nil) together with interest receivables from the same third parties of approximately HK$2,422,000 (2018: HK$Nil) were secured by the corresponding borrowers' equity interest.

For the year ended 31 March 2019 and 2018, the directors of the Company have individually assessed and considered that there is no indication of impairment on the loan and interest receivables. No impairment loss of loan and interest receivables was recognised in profit or loss.

The ageing analysis of loan receivables based on the loans draw down date at the end of the reporting periods is as follows:

	2019	2018
	HK$'000	*HK$'000*
91 to 180 days	**92,209**	163,000
181 to 365 days	**89,682**	27,655
Over 365 days	**9,580**	–
	191,471	190,655

Loan interest receivables:

Loan interest receivables represented interest accrued on the loan receivables not yet due according to the terms of the relevant loan agreements. The ageing analysis of loan interest receivables based on the loans draw down date at the end of the reporting periods is as follows:

	2019	2018
	HK$'000	*HK$'000*
91 to 180 days	**2,054**	6,832
181 to 365 days	**6,771**	1,521
Over 365 days	**1,099**	–
	9,924	8,353

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**97**	1,227
Less: allowance for trade receivables	**(77)**	–
	20	1,227
Prepayments and deposits	**7,723**	13,871
Other receivables	**8,460**	2,762
	16,203	17,860

Aged analysis of trade receivables is presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**6**	1,193
91–180 days	**14**	34
	20	1,227

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**64**	3,642
Deposit received	**–**	4,115
Accruals and other payables	**10,551**	14,490
	10,615	22,247

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**63**	3,461
91 to 180 days	**1**	181
	64	3,642

16. SHARE CAPITAL

	Number of shares	
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	**50,000,000**	500,000
Issued and fully paid of HK$0.01 each:		
At 1 April 2017	**4,780,625**	47,806
Issue of new shares *(note i)*	**478,000**	4,780
At 31 March 2018 and 1 April 2018	**5,258,625**	52,586
Shares issued under share option scheme	**95,660**	957
At 31 March 2019	**5,354,285**	53,543

Note:

(i) On 6 September 2017, the Company completed a placing of 478,000,000 placing shares at a placing price of HK$0.18 per share, with issuing expenses of approximately HK$2,466,000. Please refer to the announcement of the Company dated 6 September 2017 for further details.

17. CAPITAL COMMITMENT

At the end of the reporting period, the Group did not have any capital commitment.

18. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Group has no pledge of assets and contingent liabilities as at 31 March 2019 and 2018.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from audited financial report of the Company prepared by ZHONGHUI ANDA CPA Limited ("**ZHONGHUI**"), the auditor of the Company, for the year ended 31 March 2019.

Qualified Opinion

We have audited the consolidated financial statements of Life Healthcare Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. *Interest in an associate*

   We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the carrying amounts and the recoverability of the interest in an associate of approximately HK$35,783,000 and HK$63,142,000 as at 31 March 2019 and 2018, respectively; (ii) whether the share of loss of interest in that associate of approximately HK$8,597,000 and HK$10,072,000 were properly recorded for the years ended 31 March 2019 and 2018, respectively; (iii) whether the share of foreign currency translation reserve of that associate of approximately HK$1,682,000 (Debit) and HK$5,844,000 (Credit) were properly recorded for the years ended 31 March 2019 and 2018, respectively; (iv) whether the balance of translation reserve of that associate of HK$2,095,000 (Credit) and HK$3,777,000 (Credit) were properly recorded as at 31 March 2019 and 2018, respectively; (v) whether the impairment for interest in that associate of HK$17,528,000 for the year ended 31 March 2019 was properly recorded and whether this expense should be recorded in current or prior year; (vi) the related disclosure of the interest in that associate disclosed in note 17 to the consolidated financial statements, and; (vii) whether the valuation of the purchase price allocation of that associate on 5 August 2016 was properly performed.

2. Prepayment

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the carrying amounts and the recoverability of prepayment of approximately HK$17,979,000 and HK$20,074,000 as at 31 March 2019 and 2018, respectively; and (ii) whether the amortisation of prepayment included in administrative and other expenses of approximately HK$2,095,000 and HK$873,000 were properly recorded for the years ended 31 March 2019 and 2018, respectively.

3. Investment at fair value through profit or loss

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the carrying amount of investment at fair value through profit or loss of approximately HK$Nil as at 31 March 2019; (ii) the carrying amount and the recoverability of available-for-sale investment of approximately HK$20,862,000 as at 31 March 2018; (iii) whether the impairment loss for investment at fair value through profit or loss of approximately HK$20,862,000 for the year ended 31 March 2019 should be recognised in current or prior year; and (iv) whether the fair value change of an available-for-sale investment HK$862,000 was properly recorded for the year ended 31 March 2018.

THE COMPANY AND THE AUDIT COMMITTEE'S VIEW ON THE QUALIFIED OPINION

1. Interest in an associate

The Company considered a 30% owned company, Guangzhou Manrui Biotech Company Limited ("**Manrui Biotech**"), which specialises in the research and development of genetic testing technologies in particular non-invasive cancer screening and diagnosis, as an important component for the Group to generate revenue on the healthcare business segment. Therefore, the Company treated Manrui Biotech as part of the genetic and laboratory testing cash generating unit ("CGU"), and estimated the recoverable amount of this CGU in total using the valuation method with reference to the cashflow of the Group's healthcare segment revenue instead of basing on Manrui Biotech's own cashflows including cash inflows from revenues. ZHONGHUI is of the view that the Group's valuation method could not reflect the performance and value of Manrui Biotech because Manrui Biotech is only an associated company, instead of a subsidiary, of the Group that the Group's valuation method is not applicable. On the other hand, Manrui Biotech did not generate any revenue from the Group for use of its technologies that valuation method based on Manrui Biotech's own cashflows is not feasible as well. For the years ended 31 March 2017 and 2018, the auditors during the period, Shinewing (HK) CPA Limited, agreed to the Group's valuation method in determining the impairment loss, if any, on the Group's investment in Manrui Biotech and no impartment loss had been made on the Group's investment in Manrui Biotech for the two years ended 31 March 2017 and 2018.

The Company continued to use the Group's valuation method on Manrui Biotech to estimate the recoverable amount of the CGU and thus the Group's investment in Manrui Biotech for the year ended 31 March 2019. After making such assessments, the management was of the view that an impairment loss of approximately HK$17.5 million was made for the CGU and thus the Group's investment in Manrui Biotech for the year ended 31 March 2019.

The management noted Zhonghui's view that the Group's valuation method of its investment in Manrui Biotech cannot reflect the performance and current operation of Manrui Biotech, and its value.

The audit committee of the Company (the "**Audit Committee**") noted Zhonghui's qualification on the Group's investment in Manrui Biotech. The Audit Committee considered Manrui Biotech's technologies have economic value. However, with the accounting treatment of Manrui Biotech as an associated company under the prevailing accounting standards and the existence of an agreement procuring the Company to exclusively utilize Manrui Biotech's genetic testing and related technologies (without monetary consideration), the valuation of Manrui Biotech, whether with reference to the cashflow of the Group's healthcare segment revenue or Manrui Biotech's own cashflows including cash inflows from revenue, cannot be performed to determine the value of Manrui Biotech. As a result, ZHONGHUI has to qualify the Group's investment in Manrui Biotech for lack of sufficient audit evidence.

2. Prepayment

The prepayment relates to the accounting treatment of share options granted to certain consultants. The Company granted the share options to the consultants for their services to assist the Company to expand the healthcare market and to introduce financing opportunities to the Group that such services could bring future economic benefit to the Company's healthcare segment. The management has conducted regular review on the consultants' work and communication with the consultants were conducted regularly. However, certain communication was in oral form and some private and confidential information of hospitals, doctors and identities/medical treatment records of patients as referred by grantees had to be omitted in the supporting documents provided to ZHONGHUI. The Company is of the view that such information may not be released to third parties without the consent of the parties involved, as such information concerns the privacy of the parties involved. As a result, ZHONGHUI could not confirm and verify the work done and/or services provided by the consultants. Nevertheless, the management is of the view that the work done and/or services provided by the consultants are of value to the business of the Group although they could not be quantified in monetary value. For example, there are certain cases in the supporting documents showing that the consultants had referred financing opportunities and/or potential acquisitions opportunities to the Group.

The Audit Committee concurs to the intention of the Company to grant the share options to the consultants with an aim to obtain their work done/services for the benefit of the business of the Group. The Audit Committee noted the supporting documents for the work done/services provided by the consultants although some are difficult to confirm and verify as they are in oral form. The Audit Committee advises the management to resolve the audit qualification by recording verifiable work done/services provided by the consultants that bring economic benefit to the Group in order to support the accounting treatment of recognizing the share options as prepayment, failing which the management should consider to provide full impairment on the prepayment.

3. Investment at fair value through profit or loss

The Company entered into the Subscription Agreement with the Fund Manager, Shenzhen City William Financial Holding Limited, to subscribe for an aggregate amount of HK$20 million of the Fund Units. On 24 April 2019, the Company announced that the Board noticed that the controlling shareholder of the holding company of the Fund Manager, Mr. Zhang Wei, has been arrested by the PRC authorities and investigation is in progress. The Company tried to contact the Fund Manager but in vain.

The Company had conducted a site visit to the Fund Manager's office in April 2019, and noted that it was no longer in operation. Redemption notice email and official notice had also been sent to the Fund Manager. At present, the Company is still unable to contact the Fund Manager, nor receive any response of the redemption matter from the Fund Manager. In addition, the Company has engaged a PRC law firm to follow up on the redemption of the Fund and obtained a legal analysis memo from the PRC law firm. The legal analysis memo advised that considering the current situation of the Fund Manager and legal procedures to be followed, there is an uncertainty whether the Company can recover all or part of the investment principal and investment income. In view of the significant uncertainty on the recoverability of the Fund, the management considered the fair value of the investment to be zero and it would be appropriate for the Group to make an impairment of approximately HK$20,862,000 on such investment for the year ended 31 March 2019. The management will continue to try to liaise with the Fund Manager for the redemption of the Fund and take other remedial actions in recovering the Investment and protect the interests of the Company.

The Audit Committee is of the view that it is prudent to make full impairment on the investment in the Fund. Zhonghui's qualification could be resolved when the information of the recoverable amount of such investment can be determined.

FURTHER INFORMATION IN RESPECT OF CHANGE OF AUDITOR

Reference is made to the announcement of the Company dated 2 July 2019 in relation to the resignation of the previous auditor of the Company, Crowe (HK) CPA Limited ("**Crowe**"), on 30 June 2019 for the reason that the Company and Crowe failed to reach consensus and agreement on certain issues in respect of the audit on the results of the Company for the year ended 31 March 2019, and the appointment of ZHONGHUI as the auditor of the Company from 2 July 2019 to fill the casual vacancy left by the resignation of Crowe.

Crowe stated in its letter dated 30 June 2019 to the Board and the Audit Committee that it has taken into account the progress on provision of information in relation to overdue loan receivables and the loan from a non-executive Director (collectively, the "**Crowe's Concerns**"), for its resignation. The Company believes that all of the Crowe Concerns could be satisfactorily addressed and resolved and Crowe could complete its audit had it not tendered its resignation.

The Company would like to provide the shareholders and investors with the following further information on the Crowe's Concerns and the responds and/or remedial actions of the Company in addressing such concerns:

(1) Overdue Loan Receivables

(i) Credit risks of the borrowers

Crowe's Concerns on the credit risks of the borrowers

Crowe expressed concerns over the amount of assets of some corporate borrowers in the PRC as per their financial information shown in the company search results were less than the amount of loans granted by the Group to such borrowers. Some of the corporate borrowers were even struck off before or during the validity of the loan period. Crowe expressed their concern on the recoverability of such loans.

The Audit Committee's view on Crowe's Concerns on the credit risks of the borrowers

The Audit Committee had reviewed the loan files (including loan agreements, identity documents, business registrations, credit assessment forms, pledge agreements) and found that most files contained the basic information of the borrowers and/or guarantors. As some of the borrowers were referred by business associates of the Group, the management was aware of the financial positions of the borrowers and had knowledge about their businesses. Furthermore, for corporate borrowers which did not have strong financial positions or even negative net assets, the Audit Committee noted that there would usually be guarantors with sound financial background to provide guarantee for such loans.

Given that most of the loans have already been repaid, the Audit Committee does not consider that there had been significant credit risks associated with the borrowers which were the subject of Crowe's Concerns. Nevertheless, the Audit Committee is of the view that the Company and group companies needed to tighten its credit assessment procedures going forward.

Audit work performed by ZHONGHUI to address the credit risks of the borrowers

According to Crowe, based on the financials obtained from the company search conducted in early June 2019, it noticed that there were 6 cases (out of 11 loan cases as at 31 March 2019) of which the financials of the corporate borrowers were not satisfactory. Out of these 6 cases, 5 were secured by personal guarantee, and 1 was secured by a property pledge. Crowe had not taken into consideration that the Company had also reviewed the financial status /background of the guarantors and the value of the pledged property. In this regard, in addition to performing its own company search and internet search on the financials of the borrowers (including the aforesaid 6 borrowers), ZHONGHUI had also done their due diligence on the Group's assessment of the guarantors and the pledged property. In particular, ZHONGHUI had assessed the value of the pledged property by referring to property agents' websites and historical transaction records; interviewed the representatives of the borrowers (including the aforesaid 6 borrowers) to enquire their principal business, and discussed with the management of the Group on assessment on these loans. ZHONGHUI did not find any qualifications in respect of these 6 loans.

There was 1 borrower (a company incorporated in Seychelles) among these 11 loan cases that had been struck off. The exact strike off date was not shown in the company search result conducted by Crowe. This loan was an extension of repayment case and was secured by personal guarantees provided by the borrower's director and an independent third party. The Company acknowledges its failure to perform the necessary procedure to ascertain the valid existence of the borrower through company search at the time of the extension of the loan due to the oversight of a staff. Notwithstanding that the borrower has been struck off, the loan has been repaid in full and no provision for impairment was required to be made. Even if the loan was not settled, ZHONGHUI is of the view that under the Seychelles International Business Companies Act, a company being struck off does not prevent it from incurring liabilities or any creditor from making a claim against it.

(ii) Insufficient documentation

Crowe's Concerns on insufficient documentation on assessing the credit risks of the borrowers

Crowe noted that there were some cases where insufficient credit assessment documentation, such as no financial statement from corporate borrowers, no income proof from individual borrowers and no valuation documentation to assess the market value of securities, were found in the credit assessment reports of the borrowers. Crowe was concerned whether there might be potential management override of control and/or potential fraud in approving such loans.

The Audit Committee's view on Crowe's Concerns on insufficient documentation

The Audit Committee was of the view that the management of the money lending business had performed the necessary assessment procedures in compliance with the policy of the Company on the money lending business, e.g. conducting market researches on property transactions, and based on their personal knowledge of the borrowers and guarantors, when granting the loans. The Audit Committee considers that the management had sufficient information in carrying out credit assessment and there had been no management override of control nor fraud in the approval of the loans. The Company had also, at the request and recommendation of Crowe, engaged an independent advisor firm to review the loan files and the issues raised by Crowe.

The Audit Committee agreed with Crowe that the Group should strictly adhere to the loan approval procedures and obtain documents required by its credit assessment forms. Instead of relying on the assessment of the loan operation management, the Group should consider third party valuations and perform public searches on websites and company registry before granting the loans.

Audit work performed by ZHONGHUI to address the issue of insufficient documentation

Crowe commented that there was insufficient documentation for assessing the credit risks of the borrowers without further specification on their expected or required documentation. Among these 11 loan cases, there were 2 individual borrowers who had no income proof nor tax bill. The Company had obtained identity cards and address proofs of these two borrowers prior to approval of their loans, and these 2 loans were secured by pledged property in Beijing. In carrying out its audit on the Company, ZHONGHUI had performed additional due diligence work on substantiating the market value of the pledged properties for these 2 loans. ZHONGHUI is satisfied that the market value of the pledged properties exceeds the loan amounts and thus the credit risks of these loans are acceptable. In addition, ZHONGHUI also interviewed the 2 borrowers and sent direct audit confirmation to these individuals with proof of address. The confirmations were signed and returned to ZHONGHUI. ZHONGHUI is satisfied that the identity of these 2 borrowers had been verified.

For property valuation, Crowe commented that no valuation report was obtained from third party valuer to assess the market value of securities at the time of approval of the loans. The Company replied that they had relied on the management's assessment based on Beijing property market information. Based on Zhonghui's research on the website for property market information and based on subsequent settlement records, ZHONGHUI did not find that the lack of sufficient documents for independent market valuation on pledged properties that would lead to a qualified opinion.

(iii) Legality of Company's money lending operation in the PRC

Crowe's Concerns on the legality of the Company's money lending operation in the PRC and the unusual practice of third party repayment arrangement

Crowe noted that the Group has no money lending license in the PRC and expressed concern on the legality of Company's money lending operation in the PRC. Crowe also expressed concern on the legality of the repayment of loans by entities and individuals in the PRC for Hong Kong borrowers, which appears to be unusual as compared to general business practice Crowe requested the Group to engage a PRC lawyer to confirm the legality of such arrangements.

The Audit Committee's view on Crowe's Concerns on the legality of the Company's money lending operation in the PRC and the unusual practice of third party repayment arrangement

The Audit Committee had consulted the Company's PRC lawyers and confirmed that the money lending business of the Group in the PRC did not contravene relevant PRC laws. As for the legality of repayments of loans of Hong Kong borrowers by PRC entities, it has not been explicitly provided under PRC laws regulating foreign exchange, and in practice, different local State Administration of Foreign Exchange* ("SAFE") may hold different views on such activity. In addition, the PRC lawyers confirmed that they had not noticed any precedents as disclosed on the official website of SAFE in which any entity was penalized by SAFE or its local branches due to similar activities. Such legal opinions were provided to Crowe.

As the borrowers and the third party payers would execute and provide a repayment instruction to the Group for arranging repayment of loans by third party payers on its behalf, the Group would know the identities of the third party payers, enquire whether they have any relationship with the borrowers and the Group. The Audit Committee is of the view that the Group has confirmed the identities of the third party payers and the source of fund for repayment of the loans.

The Audit Committee considers such third party repayment arrangement as an acceptable alternative business practice and therefore, has no concern over it.

Audit work performed by ZHONGHUI to address the issue of the legality of the Company's money lending operation in the PRC and the unusual practice of third party repayment arrangement

With respect to the view of the Audit Committee and the legal opinion issued by the Company's PRC legal advisers on the money lending operation of the Group in the PRC, ZHONGHUI has assessed the competence, independence and integrity of the Company's PRC legal advisers with no irregularity noted. ZHONGHUI concurred that there is no legality issues on the Group's money lending transactions in the PRC and no legality issues on the repayment arrangement by entities and individuals in the PRC for Hong Kong borrowers. No irregularities in this regard have been concluded during the audit carried out by ZHONGHUI.

ZHONGHUI had checked the repayment instructions including the amount to be repaid and the respective bank records for settlements made by designated payers for repayment of loans on behalf of the borrowers. ZHONGHUI had interviewed the representatives of the borrowers to enquire their relationship with the payer; enquire the relationship with the Company; confirm the details of the repayment arrangement; confirm the validity of each particular repayment arrangement. ZHONGHUI also sent written confirmations directly to borrowers to confirm the repayment direction, payment date and the repayment amount. It is submitted that the results of the above work done were satisfactory and no irregularities were noted by ZHONGHUI.

(iv) Anti-money laundering policies

Crowe's Concerns on the implementation of anti-money laundering policies by the Company

Crowe commented that there was insufficient documentary evidence to demonstrate the implementation of anti-money laundering and counter-terrorist financing policies in the Company's money lending operation.

The Audit Committee's view on Crowe's Concerns on implementation of anti-money laundering policies by the Company

The Audit Committee replied to Crowe that the Group adopted the guideline on compliance of anti-money laundering and counter-terrorist financing requirements for licensed money lenders issued by the Companies Registry of Hong Kong as its own policies. Despite insufficient documentary evidence showing compliance with the policies, the Audit Committee stated that the Group had followed the guidelines. The Companies Registry provides updated list of terrorists and list of sanctioned bodies by United Nations Securities Council to the Company. The Company would then circulate it to the relevant staff engaged in the money lending business. The staff would check the identity of the borrowers against these lists when processing application for new loans. In addition, the staff will pay attention to any unusual transactions in due course. All questionable borrowers and irregularities will be reported to the management in charge, who will then decide whether or not to report them to the relevant authorities. The Audit Committee was of the view that such measures are appropriate for the Company under the circumstances. The Audit Committee recommended the Company to keep proper documentation for work done in future for improvement in this regard.

Audit work performed by ZHONGHUI to address the issue

ZHONGHUI noted that the Group has policies in place to deal with anti-money laundering and counter-terrorist financing before loan approval. ZHONGHUI enquired and confirmed with the management of the Group that the manager of the money lending business is responsible for checking, from time to time, new and existing borrowers against the list of terrorists and list of sanction of United Nation Security Council received from the Companies Registry and would report to the legal team where there is any match found. There was no such report during the financial year ended 31 March 2019 since no match was found.

(v) Related party relationship between borrowers

Crowe's Concerns on related party relationships between borrowers

Crowe noted that most of the outstanding loans were repaid within the week before the 30 June 2019 prior to the Company announces its results (as originally scheduled) and Crowe had doubts as to whether there was any related party relationship between each of those borrowers and why they could settle the outstanding balances at about the same time. Crowe noted that a director of one of the borrowers (the "**Person**"), carries a name card with the title of "Chief Advisor" of the Company but yet the loan was not reflected in the accounts as "Related Party Transaction".

The Audit Committee's view on Crowe's Concerns on related party relationships between borrowers

The Company confirmed that none of the borrowers were related parties of the Group. The Person has never been an employee or management of the Group. The name card with such a title was provided to him previously in order to facilitate him to help explore business opportunity for the Company and he does not fall within the definition of "related party" of the Company.

The Audit Committee has reviewed the loan files and there were records of follow up actions for over-due loans. Such follow-up actions include demand letters and/or pending for legal actions, repayment records and repayment notices. For third party repayments, the Audit Committee found that there were proper payment instructions and notices for repayment of loans to the Group by third party on behalf of the borrowers. The reason for payment of overdue loans around the same time before the issue of the results announcement as originally scheduled was mainly due to the efforts of the management in chasing down and negotiating with the borrowers and enforcing repayments. By the end of June 2019, approximately 91% of the outstanding loan receivables as of 31 March 2019 have been repaid; as the remaining 9% outstanding loan receivables is secured by a property with an open market value assessed by an independent valuer exceeding the outstanding loan amount, such borrower has provided a repayment plan and committed to repay the outstanding loan amount by two instalments on or before 30 September 2019.

The Audit Committee was satisfied that the documents in relation to the settlement of the loans by third parties were sufficient and payment records were properly documented. After reviewing the documents (e.g. payment instructions, borrowers' information and bank statements), the Audit Committee was of the view that these borrowers were not related to each other, and there was no undisclosed related party transactions.

Audit work performed by ZHONGHUI to address the concern on related party relationships between borrowers

The Person has never been an employee or management of the Group. In relation to the loan granted to a corporate borrower of which the Person is a director, Crowe based on some internet search results and news to come to the conclusion that the loan might not have been properly disclosed as related party loan and the credit risk was not duly assessed by the Company. However, under the "Hong Kong Accounting Standard 24 Related Party Relationships", the loan was not considered as a related party loan. The loan has been approved and granted in accordance with the money lending policy of the Group and the terms of the loan were on normal commercial terms comparable to the other loans approved and granted by the Group. After ZHONGHUI having performed company search and internet search, reviewed the loan documents, interviewed the Person and compared the interest rate and terms of this loan with other loans of the Company, ZHONGHUI is of the view that this loan is not a related party transaction and there had been no irregularities on this loan.

Loan from a non-executive Director

Crowe's Concerns on the loan from a non-executive Director

Crowe informed the Audit Committee on 26 June 2019 that it has been advised that Mr. Feng Xiaogang ("**Mr. Feng**"), a non-executive director of the Company, has provided a loan of HK$50,000,000 to the Group in previous year and he received repayment of HK$40,000,000 from the Group and the Group still owed Mr. Feng the remaining loan balance of HK$10,000,000 as of 31 March 2019. Crowe expressed their concern over this loan as they have not been informed by the management of the Company of the existence of this loan before.

The Audit Committee's view on Crowe's Concerns on the loan from a non-executive Director

According to the Company's record, the Group has already repaid the remaining HK$10 million loan due to Mr. Feng, while Mr. Feng alleged that he had not received the said payment. The Company had set up a special committee, comprising two independent non-executive directors (one of them resigned on 18 June 2019) and one executive director, to follow up on the matter. The Company has also obtained a legal opinion on the merits of a potential claim against the Company by Mr. Feng. The legal opinion concludes that "based on the available evidence and information, in the case of a claim made by Mr. Feng against the Company and/or its wholly-owned subsidiary, the Company should have a good defense." The draft legal opinion was provided to Crowe on 29 June 2019.

Audit work performed by ZHONGHUI to address the issue of the loan from a non-executive Director

ZHONGHUI has reviewed the report of the Special Committee and checked the relevant documents including payment instruction letters and bank records etc.; reviewed the legal opinion from the Hong Kong law counsel engaged by the Company for this purpose, which states that if legal action was encountered by the Group in this regard, the Group will have a "good defense".

No irregularities in this regard have been concluded during the audit carried out by ZHONGHUI.

Management's position on the Crowe's Concerns

The Company has provided the key information in relation to loan receivables to Crowe prior to its resignation, and the same set of information was provided to ZHONGHUI after its appointment as the auditor of the Company.

The Company is of the view that it had been closely following up with Crowe on the questions raised by them and had promptly provided supporting documents. The Company believes that all of the Crowe Concerns could be satisfactorily addressed and resolved and Crowe could complete its audit had it not tendered its resignation. The audit was subsequently completed by ZHONGHUI based on the same set of information.

Although Crowe's Concerns have been addressed by the Company, the Company is considering to conduct a review on its internal control policies and procedures with respect to the business operations of the Group as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2019, the Group recorded a revenue of approximately HK$63.49 million (year ended 31 March 2018: approximately HK$62.79 million), representing an increase of approximately 1.11% as compared with the corresponding period last year.

For the year ended 31 March 2019, the Group recorded gross profit of approximately HK$35.50 million (year ended 31 March 2018: approximately HK$33.48 million). The Group's overall gross profit margin was 55.91% (year ended 31 March 2018: 53.32%). During the year ended 31 March 2019 and 2018, the Group's overall gross profit was primarily attributable to the healthcare services and money lending segments.

The loss for the year ended 31 March 2019 was approximately HK$123.04 million (year ended 31 March 2018: approximately HK$97.40 million), representing an increase of approximately 26.32% as compared with the corresponding period last year. The increase in loss was mainly attributable to (i) the impairment loss on investment of approximately HK$20.86 million; (ii) the impairment loss on interest in an associate of approximately HK$17.52 million; and (iii) legal and professional fees related to project investment activities of approximately HK$13 million, partially offset by (i) the gain on disposal of two subsidiaries of approximately HK$12.65 million, and (ii) the decrease in staff costs and general operating expenses of approximately HK$11 million.

Basic and diluted loss per share for the year ended 31 March 2019 from continuing and discontinued operation was approximately HK$2.23 cents (year ended 31 March 2018: approximately HK$1.87 cents), representing an increase in loss of approximately 19.25% as compared with the corresponding period last year.

BUSINESS REVIEW

Healthcare services business

Over the years, the Group has built up its experience in the operation of and understanding in the business environment of the healthcare industry in PRC. Amongst the principal businesses of the Group, the healthcare business became the largest contributor to the Group's revenue in last year. Throughout last year, the Group continually strengthened the healthcare services in genetic testing and health data analysis.

The Group sold the Practice License of Medical Institution* (醫療機構執業許可證)of Hangzhou Life Healthcare Clinical Laboratory Limited (杭州蓮和醫學檢驗所有限公司) and Tianjin Lianhe Clinical Laboratory Limited* (天津蓮和醫學檢驗所有限公司) on 23 January 2019 and 22 January 2019 respectively after taking into consideration of the cash consideration from the disposals and the business requirements of the Group. The Group currently owns one research and development centre in Beijing, which organises and performs core technologies research and exploitations, and one production and testing centre in Guangzhou, which has Practice License of Medical Institution* (醫療機構執業許可證) and thus can provide services to the clients nationwide. The Group has centralized its core research capabilities under this structure with an aim to improve its productivity and provision of services.

For the year ended 31 March 2019, the healthcare services segment recorded a turnover of HK$48.59 million (year ended 31 March 2018: HK$47.62 million) representing the turnover generated by genetic testing and health data analysis services and a segment loss of HK$74.33 million (year ended 31 March 2018: HK$76.08 million).

* *For identification purposes only*

Money lending business

The Group has obtained a money lender license in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in November 2016 with a view to develop its money lending business to generate regular and long-term sustainable income for the Group. The gross profit margin generated from the money lending business has been the highest amongst the principal businesses of the Group for the past 3 financial years ended 31 March 2019 owing to its low cost of funding.

During the year ended 31 March 2019, interest income from the money lending business was HK$14.90 million (year ended 31 March 2018: HK$15.18 million). Gross profit rate was 100% for the current year since no cost of finance was required under money lending business. The source of funding was primarily from the internal resources of the Group which provided a definite advantage for this business. The segment result covers internal cost allocation from the group management and administrative costs. The money lending business provided a stable recurrent revenue to the Group which in turn improved the returns to the Company's shareholders.

Securities trading and investments business

The Group did not engage in any securities trading and investment activity during the years ended 31 March 2019 and 2018. The Group will continue to monitor and capture any opportunity that may arise from the trading and investment in the securities market, after taking into account of the expected investment return and the funding requirement of the Group.

Investment at fair value through profit or loss

On 4 May 2017, the Company entered into a subscription agreement with Shenzhen City William Financial Holding Limited* (深圳市威廉金融控股有限公司) (the "**Fund Manager**") pursuant to which the Company subscribed for an aggregate amount of HK$20 million of the units of the William Financial Holding Merger and Acquisition Fund No. 35* (威廉金控併購35號基金) (the "**Fund**"). The Fund is a fixed income instrument. Upon receipt of the redemption request of the Company, the Fund Manager shall return the relevant part of the principal investment amount plus the investment return calculated by fixed rate of 4.75% per annum.

The Company has noticed from media that the ultimate controlling shareholder of the Fund Manager has been arrested by the PRC authorities and investigation is in progress. The Company has attempted to contact the Fund Manager on the status of the Fund and the ability of the Fund Manager to discharge its obligations in providing a full redemption of all the outstanding principal investment amounts and accrued interests of the investment. However, up to the date of this announcement, the Company is still unable to contact the Fund Manager. The Company also noticed that the office of the Fund Manager has not been in operation. As such, the Group recorded an impairment of approximately HK$20.86 million on such investment loss in view of the above information. The Company has engaged a PRC lawyer for the legal actions available to the Company for recovering its investment in the Fund.

* *For identification purposes only*

Impairment on interest in an associate

廣州漫瑞生物信息技術有限公司 (Guangzhou Manrui Biotech Company Limited*) ("**Manrui Biotech**") specializes in research and development of genetic testing technologies, and in particular non-invasive cancer screening and diagnosis. Manrui Biotech has successfully developed diagnostic technologies for detecting circulating tumor cells.

The Group acquired 30% equity interest in Manrui Biotech in August 2016 which became an associated company of the Group. Please refer to the announcements of the Company dated 1 August 2016 and 9 August 2016 respectively for details.

Manrui Biotech has come across financial difficulties since 2018 and the management considered that the current operating status of Manrui Biotech might affect its research and development capabilities, which would reduce the expected cash inflows to be contributed by Manrui Biotech and its contribution to the genetic and laboratory services in the healthcare services segment of the Group. The Company has engaged an independent valuer to perform valuation on the Group's investment in Manrui Biotech taking into consideration of the above. Based on the valuation, impairment assessment is made, the directors of the Company provide an impairment of approximately HK$17.52 million for interest in an associate. The Group has centralized its research work in its research and development centre in Beijing as mentioned in the paragraph under the heading of Healthcare services business in the business review section.

PROSPECTS

Healthcare services business

PRC government intends to reform the medical industry by launching new policies with an aim to lower the medical the costs. Although the Group does not know whether its healthcare services will be affected in future, the Group will closely monitor any changes in policies and to refine the business strategy in healthcare services segment. On the other hand, competition is keen as more competitors may enter into the healthcare services industry. To cope with these challenges, the Group has focused on distributor sales to enter into the market of major cities in PRC. Such change in the sales strategy from direct sales to distributor sales would have a temporary effect on the revenue generated from healthcare services during the transitional period.

In the coming year, the Group intends to enlarge and diversify the types of its genetic testing products and upgrade the available products to provide more comprehensive services to its customers.

At the same time, the Group will focus on improving the biological information analysis system and interpretation of clinical medicine system. The aim is to become the fast and accurate provider of a full range of services and solutions for medical and healthcare administration. Moreover, the Group intends to strengthen the cooperation with professionals and hospitals to promote the Group's publicity.

In order to maximise the returns to the Company's shareholders, the Group intends to focus on improving the production cost rate by close cooperation with its suppliers and the purchase of automation equipment.

Money lending business

Competition in this business remains intensive. Moreover, compliance with rules and regulations is increasingly demanding, for example, the Registrar of Money Lenders has issued a guideline on compliance of anti-money laundering and anti-terrorist financing requirements in September 2018 to which the Group has to comply with. To cope with the keen market competition, the Group focuses on existing customers and leverages on them and their business associates for referral of new customers. This enables the Group to build up its customers' portfolio gradually. For compliance with rules and regulations and to manage the credit risk, the Group will closely monitor and strengthen the internal control system of money lending business in order to achieve such purposes.

In order to maximise returns to the Company's shareholders, the management will continue to seek new business opportunities and investment projects suitable for the Company in the future.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (year ended 31 March 2018: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The management and control of the Group's financial and capital management are centralized at its headquarter in the PRC. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. The Group mainly relies upon internally generated funds and proceeds from fund raising activities to finance its operations and expansion.

As of 31 March 2019, the Group's net current assets were approximately HK$228.27 million including cash and cash equivalents of approximately HK$21.07 million (31 March 2018: net current assets of approximately HK$282.97 million including cash and cash equivalents of approximately HK$29.64 million).

CAPITAL EXPENDITURE COMMITMENTS

As of 31 March 2019, the Group had no capital commitments to acquire property, plant and equipment (31 March 2018: HK$Nil).

PLEDGE OF ASSETS

As of 31 March 2019, the Group had not pledged any of its assets.

CONTINGENT LIABILITIES

As of 31 March 2019, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2019, the Group had 19 full-time employees excluding Directors (2018: 217 employees). The decrease in the number of employees were attributed to the disposal of two clinical laboratories as mentioned in the business review section and the marketing strategy to focus on distributor sales. The Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include medical insurance coverage, mandatory provident fund for Hong Kong employees, state-managed retirement benefits scheme for PRC employees and share option scheme.

AUDIT COMMITTEE

The Audit Committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Cheng Chun Man (Chairman of the Audit Committee), Mr. Liu Xinghua and Mr. Zheng Chunlei, with the chairman possessing the appropriate professional qualifications and accounting expertise.

The Company's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee.

SCOPE OF WORK OF ZHONGHUI

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 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2019. The work performed by ZHONGHUI in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2019, except for the following deviations:

— Code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term and subject to re-election. The non-executive Director and independent non-executive Directors were not appointed for specific terms. In accordance with the Article 84 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line to those of the CG Code.

— Code provision E.1.2 of the CG Code provides interpretation that the chairman of the board of directors should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Ms. Zhang Xuyang, the then chairman of the Audit Committee did not attend the annual general meeting of the Company held on 7 September 2018 (the "**2018 AGM**") as she had another engagement. All other members of the Board attended the 2018 AGM. The Company considers that the members of the Board who attended the 2018 AGM were able to sufficiently answering questions from shareholders at the 2018 AGM.

The Board will continue to review and recommend such steps as appropriate in a timely manner in order to comply with the requirements of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions for the year ended 31 March 2019.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.lifehealthcare.com). The Group's Annual Report 2019 will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

Taking this opportunity, on behalf of the Board, I would like to express my appreciation to our shareholders for their continuous support and the Company's management and employees for their dedication and hard work.

By Order of the Board
LIFE HEALTHCARE GROUP LIMITED
Hua Yunbo
Executive Director

Hong Kong, 25 September 2019

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. Hua Yunbo *(Chairman and President)*
Ms. Shan Hua *(Chief Executive Officer)*
Mr. Man Wai Lun

Independent Non-Executive Directors:
Mr. Liu Xinghua
Mr. Zheng Chunlei
Mr. Cheng Chun Man

Non-executive Director:
Dr. Feng Xiaogang