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 2020

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 2020 together with comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Continuing operation			
Healthcare products and services revenue		**58,061**	48,589
Loan interest income		**5,744**	14,898
Total revenue	*3*	**63,805**	63,487
Cost of sales and services		**(51,702)**	(27,984)
Gross profit		**12,103**	35,503
Other interest income		**486**	70
Other income and gains	*5*	**2,467**	17,179
Selling and distribution expenses		**(319)**	(48,507)
Share of result of an associate/associates		**(5,992)**	(9,245)
Administrative and other expenses		**(31,647)**	(115,901)
Finance costs	*6*	**(513)**	–
Loss before tax		**(23,415)**	(120,901)
Income tax expense	*7*	**(308)**	(533)
Loss for the year from continuing operations	*8*	**(23,723)**	(121,434)

	Notes	2020 HK$'000	2019 HK$'000
Discontinued operation			
Loss for the year from discontinued operations		–	(20)
Loss on disposal of a subsidiary		–	(1,581)
		–	(1,601)
Loss for the year		**(23,723)**	(123,035)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(11,045)**	(7,661)
Share of foreign currency translation reserve of an associate/associates		**(2,524)**	(2,006)
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary/subsidiaries		–	798
		(13,569)	(8,869)
Items that will not be reclassified to profit or loss:			
Impairment loss on equity investment at fair value through other comprehensive income		**(2,532)**	—
Total comprehensive loss for the year		**(39,824)**	(131,904)
Loss attributable to owners of the Company			
— from continuing operations		**(24,854)**	(117,253)
— from discontinued operations		–	(1,601)
		(24,854)	(118,854)
Profit/(loss) attributable to non-controlling interests			
— from continuing operations		**1,131**	(4,181)
— from discontinued operations		–	–
		1,131	(4,181)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(40,910)**	(127,723)
Non-controlling interests		**1,086**	(4,181)
		(39,824)	(131,904)
Loss per share	*10*		
Basic and diluted (HK cents)			
From continuing operations		**(0.46)**	(2.20)
From discontinued operations		–	(0.03)
From continuing and discontinued operations		**(0.46)**	(2.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**1,998**	4,888
Right-of-use assets		**1,880**	–
Interest in an associate	*11*	**20,000**	35,783
Equity investment at fair value through other comprehensive income		**825**	3,512
Prepayment	*12*	**13,789**	15,884
		38,492	60,067
Current assets			
Investment at fair value through profit or loss	*13*	–	–
Inventories		**9**	1,856
Loan receivables	*14*	**17,154**	191,471
Loan interest receivables	*14*	**2,402**	9,924
Trade and other receivables	*15*	**58,314**	16,203
Bank balances and cash		**187,578**	21,065
		265,457	240,519
Current liabilities			
Trade and other payables	*16*	**51,143**	10,615
Contract liabilities		**509**	800
Lease liabilities		**1,049**	–
Tax payable		**878**	830
		53,579	12,245
Net current assets		**211,878**	228,274
Total assets less current liabilities		**250,370**	288,341

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Non-current liabilities			
Lease liabilities		**826**	–
		826	–
Net assets		**249,544**	288,341
Capital and reserves			
Share capital	*17*	**53,543**	53,543
Reserves		**193,888**	234,798
Equity attributable to owners of the Company		**247,431**	288,341
Non-controlling interests		**2,113**	–
Total equity		**249,544**	288,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 Office A, 18/F, Aubin House, 171–172 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in (i) healthcare products and services business, (ii) money lending business and (iii) securities trading and investments business. The Group was also engaged in education products and related services business which was discontinued in previous 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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (the "**HKFRS**"), Hong Kong Accounting Standards (the "**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 consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

The impact of the adoption of HKFRS 16 "Leases" ("**HKFRS 16**") on the Group's financial information and the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 31 March 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 April 2019.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an arrangement contains a Lease.

As a lessee, the Group's leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. HKFRS 16 has been applied and resulted in changes in consolidated amounts reported in the consolidated financial statements as follows:

	As at 1 April 2019 *HK$'000*
Increase in right-of-use assets	33,428
Increase in lease liabilities	33,428

The operating lease commitments disclosed as at 31 March 2019 were HK$40,115,000, while the lease liabilities recognised as at 1 April 2019 were HK$33,428,000 of which HK$5,262,000 were current lease liabilities and HK$28,166,000 were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rate of 4.75% and the total lease liabilities recognised in the consolidated statement of financial position at the date of initial application of HKFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses.

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.

	2020 ***HK$'000***	2019 *HK$'000*
Continuing operations		
Revenue from contracts with customers		
— Healthcare services	**22,169**	48,589
— Healthcare products	**35,892**	–
Loan interest income	**5,744**	14,898
	63,805	63,487

Disaggregation of revenue from contracts with customers:

Geographical markets

For the years ended 31 March 2020 and 2019, all revenues from healthcare services and healthcare products were recognised in PRC.

Timing of revenue recognition

For the years ended 31 March 2020 and 2019, all revenues from healthcare services and healthcare products 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.

Healthcare products

Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Sales to customers are normally made with credit period within 365 days.

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

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.

For the year ended 31 March 2019, the Group had three operating and reportable segments, namely (i) healthcare services business, (ii) money lending business and (iii) securities trading and investments business and others.

For the year ended 31 March 2020, the Group's operating and reportable segments has been modified as two, namely (i) healthcare products and services business and (ii) money lending business.

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 and unallocated corporate assets while segment liabilities exclude tax payable 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 2020

Continuing operations

	Healthcare products and services business *HK$'000*	**Money lending business** *HK$'000*	**Total** *HK$'000*
Revenue	**58,061**	**5,744**	**63,805**
Segment (loss)/profit	**(12,923)**	**809**	**(12,114)**
Interest revenue			**486**
Other income and gains			**2,467**
Share of result of an associate			**(5,992)**
Unallocated expenses			**(8,262)**
Loss before tax			**(23,415)**

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)

Geographical information

Healthcare products and services revenue for the years ended 31 March 2020 and 2019, were revenue derived from contracts with customers, the geographical information of revenue could be referred to note 3 to the consolidated financial statements.

For the year ended 31 March 2020, loan interest income derived from Hong Kong and PRC were approximately HK$4,286,000 (2019: HK$11,058,000) and approximately HK$1,458,000 (2019: HK$3,840,000), respectively.

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

	2020	2019
	HK$'000	*HK$'000*
PRC	**24,233**	44,147
Hong Kong	**14,259**	15,920
	38,492	60,067

Information about major customers

	2020	2019
	HK$'000	*HK$'000*
Healthcare products and services business		
Customer A	**34,184**	–

Revenue from one customer of the Group's healthcare products and services business segment represents approximately HK$34,184,000 (2019: HK$Nil) of the Group's total revenue and contributes more than 10% to the total revenue of the Group for the year ended 31 March 2020. During the year ended 31 March 2019, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

5. OTHER INCOME AND GAINS

	2020	2019
	HK$'000	*HK$'000*
Gain on bargain purchase	**1,069**	–
Exchange gain, net	**33**	1,376
(Loss)/gain on disposal of property, plant and equipment	**(351)**	244
Gain on disposal of subsidiaries	**–**	12,646
Sales of the consumable material	**–**	1,997
Sundry income	**1,716**	916
	2,467	17,179

6. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Lease interest	**513**	–

7. INCOME TAX EXPENSE

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong Profits Tax:		
— Current year	**52**	552
PRC Enterprise income tax (the "**EIT**")		
— Current year	**256**	–
— Overprovision in prior years	**–**	(19)
	308	533

For the year ended 31 March 2020 and 2019, Hong Kong Profits Tax is calculated under two-tier profits tax system under first HK$2 millions 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.

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Continuing operations

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

	2020 *HK$'000*	2019 *HK$'000*
Auditor's remuneration	**1,580**	2,000
Cost of inventories sold	**49,376**	10,209
Depreciation of property, plant and equipment	**2,310**	7,115
Depreciation of right-of-use assets	**3,003**	–
Loss/(gain) on disposal of property, plant and equipment	**351**	(244)
Research and development costs recognised as an expense	**–**	199
Operating lease charges	**–**	7,115
Expenses related to short-term lease	**136**	–
Impairment of interest in an associate	**7,268**	17,528
Impairment of investment at fair value through profit or loss	**–**	20,862
Impairment of trade receivables	**18**	77
Directors' remuneration	**2,877**	6,317
Other staff costs	**3,919**	49,887
Retirement benefits scheme contributions, excluding directors	**604**	12,023
Total staff costs	**7,400**	68,227

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 March 2020 and 2019.

10. 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$24,854,000 (2019: approximately HK$118,854,000) attributable to owners of the Company and the weighted average number of approximately 5,354,285,000 (2019: approximately 5,331,886,000) 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 2020 and 2019.

(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$24,854,000 (2019: approximately HK$117,253,000) 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 2020 and 2019.

(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$Nil (2019: approximately HK$1,601,000) 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 2020 and 2019.

11. INTEREST IN AN ASSOCIATE

	2020	2019
	HK$'000	*HK$'000*
Unlisted investments:		
Share of net assets	**34,348**	42,863
Loan to an associate	**10,448**	10,448
Impairment loss	**(24,796)**	(17,528)
	20,000	35,783

12. 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 (2019: HK$2,095,000) for the year ended 31 March 2020 in relation to such share options granted. The remaining value of the options of approximately HK$15,884,000 (2019: HK$17,979,000) was carried as a prepayment as at 31 March 2020 to be charged to profit or loss over the service period of the consultants with approximately HK$13,789,000 (2019: HK$15,884,000) included in non-current assets and HK$2,095,000 (2019: HK$2,095,000) included in current assets.

13. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Unlisted private fund in the PRC	**–**	–

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. For the year ended 31 March 2019, 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.

14. LOAN RECEIVABLES/LOAN INTEREST RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Secured loan receivables	**17,154**	191,471

The loan receivables granted to customers are mainly ranging from 3–9 months. As at 31 March 2020, loans to third parties with an aggregate principal amount of approximately HK$17,154,000 (2019: HK$191,471,000) are secured, bear interest at 18% (2019: from 5% 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 2020, loan receivables amounting to approximately HK$17,154,000 (2019: HK$66,256,000) together with interest receivables from the one third party (2019: the same third parties) of which approximately HK$2,402,000 (2019: HK$6,664,000) were pledged by a property (2019: guaranteed by independent third parties). As at 31 March 2019, another HK$19,000,000 together with interest receivables from the same third parties of approximately HK$838,000 were secured by the equity interest of the corresponding borrower's subsidiary and HK$106,215,000 together with interest receivables from the same third parties of approximately HK$2,422,000 were secured by the corresponding borrowers' equity interest.

For the year ended 31 March 2020 and 2019, 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:

	2020	2019
	HK$'000	*HK$'000*
91 to 180 days	–	92,209
181 to 365 days	–	89,682
Over 365 days	**17,154**	9,580
	17,154	191,471

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:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**772**	–
91 to 180 days	**772**	2,054
181 to 365 days	**858**	6,771
Over 365 days	–	1,099
	2,402	9,924

15. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**47,818**	97
Less: allowance for trade receivables	**(90)**	(77)
	47,728	20
Prepayments and deposits	**5,699**	7,723
Other receivables	**4,887**	8,460
	58,314	16,203

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:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**47,530**	6
91–180 days	**–**	14
Over 181 days	**198**	–
	47,728	20

16. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**41,439**	64
Accruals and other payables	**9,704**	10,551
	51,143	10,615

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

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**41,438**	63
91 to 180 days	**1**	1
	41,439	64

17. SHARE CAPITAL

	Number of shares *'000*	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	50,000,000	500,000
Issued and fully paid of HK$0.01 each:		
At 1 April 2018	5,258,625	52,586
Shares issued under share option scheme	95,660	957
At 31 March 2019 and 2020	5,354,285	53,543

18. CAPITAL COMMITMENT

The Group did not have any capital commitment as at 31 March 2020 and 2019.

19. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Group has no pledge of assets and contingent liabilities as at 31 March 2020 and 2019.

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 2020.

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 2020, 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 2020, 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

The Group acquired 30% equity interest in Guangzhou Manrui Biotech Company Limited ("**Manrui Biotech**") on 5 August 2016. Manrui Biotech specialises in research and development of genetic testing technologies, and in particular non-invasive cancer screening and diagnosis. At the time of the acquisition, there is an agreement procuring the Company to exclusively utilize Manrui Biotech's genetic testing and related technologies (without monetary consideration). The cost of the investment was approximately HK$65,129,000. The Group obtained a valuation price allocation of Manrui Biotech on 5 August 2016 and the investment is recorded as interest in an associate since the acquisition.

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) whether the valuation of the purchase price allocation of that associate on 5 August 2016 was properly performed; (ii) the carrying amounts and the recoverability of the interest in an associate of approximately HK$20,000,000 and HK$35,783,000 as at 31 March 2020 and 2019 respectively; (iii) whether the share of loss of interest in that associate of approximately HK$5,992,000 and HK$8,597,000 were properly recorded for the years ended 31 March 2020 and 2019, respectively; (iv) whether the share of foreign currency translation reserve of that associate of approximately HK$2,524,000 (Debit) and HK$1,682,000 (Debit) were properly recorded for the years ended 31 March 2020 and 2019, respectively; (v) whether the balance of translation reserve of that associate of HK$429,000 (Debit) and HK$2,095,000 (Credit) were properly recorded as at 31 March 2020 and 2019, respectively; (vi) whether the impairment for interest in that associate of HK$7,268,000 and HK$17,528,000 for the year ended 31 March 2020 and 2019 recognised based on independent valuation reports obtain by the Group was properly recorded and whether this expense should be recorded in current or prior year and; (vii) the related disclosure of the interest in that associate disclosed in note 17 to the consolidated financial statements.

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$15,884,000 and HK$17,979,000 as at 31 March 2020 and 2019, respectively; and (ii) whether the amortisation of prepayment included in administrative and other expenses of approximately HK$2,095,000 and HK$2,095,000 were properly recorded for the years ended 31 March 2020 and 2019, 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; and (ii) 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.

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. 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.

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 based on independent valuation report, 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 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, it is difficult to determine the value of Manrui Biotech by performing a valuation based on the present value of the future cashflows of Manrui Biotech. As a result, ZHONGHUI has to qualify the Group's investment in Manrui Biotech for lack of sufficient audit evidence for the year ended 31 March 2019.

According to Hong Kong Accounting Standard 36 ("**HKAS 36**"), the carrying amount of the Group's investment in Manrui Biotech should be carried at the higher of value in use and fair value less cost of disposal. The Company has engaged a valuer to do the valuation on the Group's investment in Manrui Biotech for the year ended 31 March 2020. Based on the valuation, the relevant valuation of the Group's investment in Manrui Biotech is HK$20,000,000 as at 31 March 2020. Accordingly, an impairment loss of approximately HK$7.3 million was made for the year ended 31 March 2020.

The Audit Committee is of the view that the carrying value of the Group's investment in Manrui Biotech at HK$20,000,000 as at 31 March 2020 is fair and reasonable in accordance with HKAS 36 and based on an independent valuation.

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 business and financing opportunities to the Group that such services could bring future economic benefit to the Company's healthcare business segment. The management has conducted regular review on the consultants' work and communication with the consultants were conducted regularly. Although some work/services provided by the consultants for the year ended 31 March 2020 can be quantified into economic benefits to the Group, ZHONGHUI is of the view that it is not sufficient to remove the qualification on prepayment as the unexpired period of time for the share options is 7 years. ZHONGHUI is lack of sufficient information to ascertain the economic benefits from the consultants' work/services for the next 7 years to justify the accounting treatment of recognizing the share options as prepayment.

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. The Audit Committee advises the management to resolve the audit qualification by providing verifiable work done/services provided by the consultants that bring economic benefit to the Group for the unexpired period of time for the share options 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. 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 in 2019. The legal analysis memo advised that considering the then 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 full 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.

The Company has engaged a PRC law firm this year and according to its legal opinion, there is significant uncertainty and may have difficulty whether the Company can recover all or part of the investment principal and investment income. ZHONGHUI's qualification in this regard for the year ended 31 March 2019 no longer exists as at 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2020, the Group recorded a revenue of approximately HK$63.81 million (year ended 31 March 2019: approximately HK$63.49 million), representing an increase of approximately 1% as compared with the corresponding period last year.

For the year ended 31 March 2020, the Group recorded gross profit of approximately HK$12.10 million (year ended 31 March 2019: approximately HK$35.50 million). The Group's overall gross profit margin was 18.97% (year ended 31 March 2019: 55.92%). During the year ended 31 March 2020 and 2019, the Group's overall gross profit was primarily attributable to the healthcare products and services and money lending segments.

The loss for the year ended 31 March 2020 was approximately HK$23.72 million (year ended 31 March 2019: approximately HK$123.04 million), representing a decrease of approximately 80.72% as compared with the corresponding period last year. The decrease in loss was mainly attributable to the decrease in administrative and other expenses, selling and distribution expenses of approximately HK$84.25 million, 48.19 million respectively.

Basic and diluted loss per share for the year ended 31 March 2020 from continuing and discontinued operation was approximately HK$0.46 cents (year ended 31 March 2019: approximately HK$2.23 cents), representing a decrease in loss of approximately 79.37% as compared with the corresponding period last year.

BUSINESS REVIEW

Healthcare products and 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 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.

Since October 2019, the Group has changed its business strategy with a view to expand sales in a cost efficient manner and replaced its own marketing task force with third party agents to procure end users. Currently, there are four agents covering sales in 31 provinces in the PRC.

To further reduce costs, the Group has entrusted a professional service provider to perform the data extraction work. Based on the data extracted, the Group's technicians will perform the cancer detection genetic testing and analysis and generate the genetic testing reports for end users.

The Company, through a non-wholly owned subsidiary of the Company, provides medical supplies including medical thermometers, masks, protective clothing, disinfectant, virus testing kits and reagents, breathing machines and other medical products, and also provides value-added services in respect of the procurement of such medical supplies and products including providing market intelligence, sourcing of bids, comparative assessment of technical specifications and cost analysis, and negotiation of terms of supply. This line of business leverages the Company's existing resources and network in the healthcare industry. The existing customers are mainly government organisations and large institutional customers.

For the year ended 31 March 2020, the healthcare products and services segment recorded a turnover of HK$58.06 million (year ended 31 March 2019: HK$48.59 million) representing the turnover generated by genetic testing and health data analysis services and trading of healthcare products and a segment loss of HK$12.92 million (year ended 31 March 2019: HK$74.33 million), representing a decrease of approximately 82.62% as compared with the corresponding period last year.

Money lending business

The Group currently has a money lender license in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) for developing 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 2020 owing to its low cost of funding.

* *For identification purposes only*

During the year ended 31 March 2020, interest income from the money lending business was HK$5.74 million (year ended 31 March 2019: HK$14.90 million), representing a decrease of approximately 61.48% as compared with the corresponding period last year. The decrease in interest income from the money lending business was owing to the downsize of the loan portfolio. Gross profit rate was 100% for the current year since the source of funding was primarily from the internal resources of the Group and thus no cost of finance was required under money lending business. In view of the prevailing market conditions especially COVID-19 epidemic, the Group is very cautious in granting new loans in the year ahead.

Securities trading and investments business

The Group did not engage in any securities trading and investment activity during the years ended 31 March 2020 and 2019. 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. For more information please refer to the announcement of the Company dated 24 April 2019. Up to the date of this announcement, the Company is still unable to contact the Fund Manager. The Company has engaged a PRC law firm to follow up on the redemption of the Fund. According to the legal opinion provided by the PRC law firm this year, there is a significant uncertainty and may have difficulty whether the Company can recover all or part of the investment principal and investment income. The Group already recorded full impairment of approximately HK$20.86 million on such investment for the year ended 31 March 2019. The Company will continue to try to liaise with the Fund Manager for the redemption of the Fund and/or take other remedial actions in recovering the investment and protect the interests of the Company.

* *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.

The directors of the Company provide an impairment of approximately HK$7.3 million for interest in an associate. The Group has centralized its research work in its research and development centre in Beijing.

PROSPECTS

Healthcare products and services business

The Group's genetic testing business, urine chemical testing business and medical and health products and services business are complimentary to each other and create synergy for the Group's healthcare businesses as a whole. The customers and business partners of these businesses are local governments, national institutions and organizations, hospitals and doctors and other overlapping customers, the Company can expand its sales network and cross-sell products in all its businesses, thereby achieving economies of scale and increase in revenue. Besides, the Company can obtain different information from these customers which are useful in the age of "big data". For example, the Company can analyze their demand and consumption behavior, and their potential demand for existing and new healthcare products to be launched by the Company. This will help the Company plan the development of its businesses and the appropriate marketing strategy to increase revenues.

With the improvement of quality of life and the raising of health awareness in the PRC and all around the world, the directors of the Company are of the view that its healthcare products and services businesses have great prospects and will bring return to the Company and its shareholders as a whole.

Money lending business

Competition in this business remains intensive. Moreover, compliance with rules and regulations is increasingly demanding. 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 view of the prevailing market conditions especially COVID-19 epidemic, the Group is very cautious in granting new loans in the year ahead.

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 2020 (year ended 31 March 2019: 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 2020, the Group's net current assets were approximately HK$211.88 million including cash and cash equivalents of approximately HK$187.58 million (31 March 2019: net current assets of approximately HK$228.27 million including cash and cash equivalents of approximately HK$21.07 million).

CAPITAL EXPENDITURE COMMITMENTS

As of 31 March 2020 and 2019, the Group had no capital commitments to acquire property, plant and equipment.

PLEDGE OF ASSETS

As of 31 March 2020 and 2019, the Group had not pledged any of its assets.

CONTINGENT LIABILITIES

As of 31 March 2020 and 2019, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2020, the Group had 14 full-time employees excluding Directors (2019: 19 employees). The decrease in the number of employees was attributed to 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 2020 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 2020 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 2020. 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 2020.

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 2020, 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 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. Mr. Hua Yunbo, the then chairman of the Board did not attend the annual general meeting of the Company held on 31 October 2019 (the "**2019 AGM**") as he had another engagement. All other members of the Board attended the 2019 AGM. The Company considers that the members of the Board who attended the 2019 AGM were able to sufficiently answering questions from shareholders at the 2019 AGM.

— There were delays in release and publication of the results announcement and the annual report of the Company for the year ended 31 March 2019 by 30 June 2019 and 31 July 2019 respectively in accordance with the relevant Listings Rules 13.49 (1) and 13.46 (2)(a). Besides, there was delay in convening the annual general meeting of the Company by 30 September 2019 in accordance with the relevant Listing Rules 13.46 (2)(b). Such non-compliances with the Listings Rules may not comply with the Listing Rules compliance under Code C.2.3 (e) of the CG Code. The aforesaid delays were caused by the sudden resignation of the then auditor on 30 June 2019. The Company has kept the shareholders and potential investors informed of the progress of the foresaid matters by announcements. Eventually, the results announcement and the annual report were released and published on the website of the Stock Exchange and the Company and the annual general meeting was convened. The Board is of the view that the aforesaid delays are one-off incidents that the aforesaid matters have been rectified eventually and the Company has complied with the Listings Rules in keeping the shareholders and investors informed of the progress of the aforesaid matters.

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 2020.

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 2020 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
Xu Xueping
Executive Director

Hong Kong, 26 June 2020

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

Executive Directors:
Mr. Xu Xueping *(Chairman)*
Mr. Man Wai Lun
Mr. Yang Zhiying

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

Non-executive Director:
Ms. Shan Hua