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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

INTERIM RESULTS

The board (the "Board") of directors (the "Director(s)") of Life Healthcare Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2018, together with comparative figures for the corresponding period in 2017, which have been reviewed by the Company's audit committee (the "Audit Committee") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2018

		Unaudited Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000* (Restated)
Continuing operations			
Turnover	*4*	**44,024**	25,787
Cost of sales and services		**(15,541)**	(12,619)
Gross profit		**28,483**	13,168
Other income and gain		**264**	527
Selling and distribution costs		**(31,627)**	(19,337)
Administrative and other expenses		**(39,251)**	(31,416)
Other expenses	*5*	**(21,524)**	–
Share of results of associates	*8*	**(5,357)**	(4,227)
Operating loss		**(69,012)**	(41,285)
Loss before taxation	*5*	**(69,012)**	(41,285)
Income tax	*6*	**(445)**	(323)
Loss for the period from continuing operations		**(69,457)**	(41,608)
Discontinued operation			
Profit (Loss) for the period from discontinued operation	*14*	**2,504**	(2,866)
Loss for the period		**(66,953)**	(44,474)
Profit (Loss) attributable to equity holders of the Company			
— from continuing operations		**(67,863)**	(40,208)
— from discontinued operation		**2,504**	(2,866)
		(65,359)	(43,074)
Loss attributable to non-controlling interests			
— from continuing operations		**(1,594)**	(1,400)
Loss for the period		**(66,953)**	(44,474)
Loss per share — Basic and diluted (HK cents)	*7*		
— from continuing and discontinued operations		**(1.23)**	(0.89)
— from continuing operations		**(1.28)**	(0.84)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Non-current assets			
Intangible asset		**5,396**	6,444
Property, plant and equipment		**15,217**	22,822
Interest in associates	*8*	**40,265**	67,626
Prepayment		**16,932**	17,979
		77,810	114,871
Current assets			
Available-for-sale investment	*9*	**–**	20,862
Equity instrument at fair value through other comprehensive income	*9*	**21,338**	–
Inventories		**5,494**	7,264
Loan receivables	*10*	**188,394**	190,655
Loan interest receivables	*10*	**1,956**	8,353
Trade and other receivables	*11*	**20,244**	17,860
Bank balances and cash		**36,757**	29,635
Assets directly associated with disposal group held for sale	*14*	**–**	30,923
		274,183	305,552
Current liabilities			
Trade and other payables	*12*	**22,474**	22,247
Tax payable		**742**	278
Liabilities directly associated with disposal group held for sale	*14*	**–**	57
		23,216	22,582
Net current assets		**250,967**	282,970
Net assets		**328,777**	397,841
Capital and reserves			
Share capital	*13*	**53,543**	52,586
Reserves		**277,514**	346,221
Total equity attributable to:			
Owners of the Company		**331,057**	398,807
Non-controlling interest		**(2,280)**	(966)
Total equity		**328,777**	397,841

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1 GENERAL

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 investment business. Since current period, education products and related business of the Group was discontinued.

The presentation currency of the unaudited condensed consolidated financial statements is Hong Kong dollars ("HK$"). For the convenience of the unaudited condensed consolidated financial statements users, the results and financial position of the Company and its subsidiaries are presented in HK$ as the Company's shares are listed on the Stock Exchange. All values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2 BASIS OF PREPARATION

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

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018 except as described below.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2018.

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new or revised HKFRSs that are not yet effective for the current interim period.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The major source of revenue of the Group from continuing operations is healthcare services business. The Group has concluded that revenue should be recognised at the point in time when the services are performed or goods are delivered. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

3.1.2 Effects arising from initial application of HKFRS 15

The initial application of HKFRS 15 in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or on the disclosures set out in the condensed consolidated financial statements.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments ("HKFRS 9") and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3.2.2 Summary of effects arising from initial application of HKFRS 9

The classification and measurement under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018 are described below.

(a) Classification and measurement

On application of HKFRS 9, the available-for-sale investment carried at fair value of approximately HK$20,862,000 as at 31 March 2018 was reclassified as equity instrument at FVTOCI on 1 April 2018. The fair value gains or losses accumulated in the revaluation reserve of approximately HK$862,000 as at 1 April 2018 will no longer be subsequently reclassified to profit or loss upon derecognition under HKFRS 9 and are not subject to impairment assessment.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit loss that are estimated based on the present value of all cash shortfalls over the remaining life of all its trade and other receivables, loan receivables and loan interest receivables. Recognition of credit losses for trade and other receivables, loan receivables and loan interest receivables and increase the amount of allowance for impairment recognised for these items.

Except as described above, the application of other new and amendments to HKFRSs has had no material effect on the amounts and disclosures set out in the condensed consolidated financial statements for the current interim period. The Group has not early applied new and amendments to HKFRSs and interpretation that have been issued but are not yet effective.

4 TURNOVER AND SEGMENT INFORMATION

HKFRS 8 “Operating segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (“CODM”) in order to allocate resources to the segment and to assess its performance. Relevant information was reported to the executive directors of the Company, being the CODM, for the purposes of resource allocation and assessment of segment performance focusing on types of goods or services delivered or provided.

The Group is engaged in the following four operating segments for its operations, each of which represents an operating and reportable segment of the Group under HKFRS 8.

1. Healthcare services business

2. Money lending business

3. Apparel retail business

4. Securities trading and investments business

The following is an analysis of the Group's turnover and results by reportable and operating segments:

For the six months ended 30 September 2018 (Unaudited)

Continuing operations

	Healthcare services business *HK$'000*	**Money lending business** *HK$'000*	**Apparel retail business** *HK$'000*	**Securities trading and investments business** *HK$'000*	**Total** *HK$'000*
Turnover					
External sales	**38,123**	**5,901**	**–**	**–**	**44,024**
Segment (loss) profit	**(31,414)**	**1,875**	**(302)**	**(74)**	**(29,915)**
Unallocated income					**309**
Unallocated expenses					**(12,525)**
Share of result of associates					**(5,357)**
Impairment loss on property, plant and equipment					**(2,948)**
Impairment loss on intangible asset					**(1,048)**
Impairment loss on interest in an associate					**(17,080)**
Impairment loss on loan interest receivable from an associate					**(448)**
Loss before taxation					**(69,012)**

For the six months ended 30 September 2017 (Unaudited)

Continuing operations

	Healthcare services business *HK$'000*	Money lending business *HK$'000*	Apparel retail business *HK$'000*	Securities trading and investments business *HK$'000*	Total *HK$'000* (Restated)
Turnover					
External sales	20,273	5,514	–	–	25,787
Segment (loss) profit	(30,417)	1,704	(482)	(11)	(29,206)
Unallocated income					521
Unallocated expenses					(8,373)
Share of result of an associate					(4,227)
Loss before taxation					(41,285)

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment (loss) profit represents the (loss) profit resulted in each segment without allocation of other income and gain and unallocated corporate expenses. This is the measure for reporting to the Group's CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

Amounts of segment assets and liabilities of the Group are not reviewed by the Group's CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

Continuing operations

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories recognised as expenses	**7,087**	3,899
Depreciation of property, plant and equipment	**3,793**	3,329
Impairment loss on property, plant and equipment (included in "other expenses")	**2,948**	–
Impairment loss on intangible asset (included in "other expenses")	**1,048**	–
Impairment loss on interest in an associate (included in "other expenses") *(note 8)*	**17,080**	–
Impairment loss on loan interest receivable from an associate (included in "other expenses") *(note 10)*	**448**	–
Loss on disposal of property, plant and equipment	**45**	–
Bank interest income	**(47)**	(266)
Legal and professional fees and expenses	**10,986**	3,555

6 INCOME TAX

Continuing operations

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax		
Hong Kong Profits Tax	**464**	–
PRC Enterprise Income Tax ("EIT")	**(19)**	323
	445	323

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI for both interim periods.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both interim periods. No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 September 2017.

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both interim periods. Income tax represents PRC Enterprise Income Tax provided based on the assessable profit of PRC subsidiaries.

7 LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Unaudited Six months ended 30 September	
	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares during the period for the purposes of basic and diluted loss per share	**5,309,609**	4,845,926

From continuing operations

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the period attributable to the owners of the Company	**65,359**	43,074
Less: (Profit) Loss for the period from discontinued operation	**(2,504)**	2,866
Loss for the period attributable to equity holders of the Company from continuing operations for the purpose of basic and diluted loss per share	**67,863**	40,208

For the both periods ended 30 September 2017 and 2018, the computation of diluted loss per share does not assume the conversion of the share options since their exercise would result in a decrease in loss per share.

From discontinued operations

Basic and diluted earnings per share from the discontinued operation is HK$0.05 cents (30 September 2017: basic and diluted loss per share of HK$0.05 cents), based on the profit for the period attributable to equity holders of the Company from the discontinued operation of approximately HK$2,504,000 (30 September 2017: loss of approximately HK$2,866,000) and the denominators above for both basic and diluted loss per share.

8 INTEREST IN ASSOCIATES

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
Cost of investments in associates	**70,128**	70,128
Share of post-acquisition losses and other comprehensive income	**(22,783)**	(12,502)
	47,345	57,626
Loan to an associate	**10,000**	10,000
	57,345	67,626
Less: impairment loss recognised for the year:		
— Loan to an associate	**(10,000)**	–
— Cost of investment	**(7,080)**	–
Impairment loss on interest in an associate *(note 5)*	**(17,080)**	–
	40,265	67,626

As at 30 September 2018 and 31 March 2018, the Group advances a loan to the associate with principal amount of HK$10,000,000, which is unsecured, carries interest at 3% per annum. The loan is considered as a quasi investment in the associate. The recoverable amount of the interest in the associate was estimated to be less than its carrying amount as at 30 September 2018. The Group recognised on an impairment loss of HK$17,080,000 (30 September 2017: nil) in profit or loss for the period.

9 AVAILABLE-FOR-SALE INVESTMENT AND EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
Unlisted investment:		
— Unlisted private fund in the PRC	**21,338**	20,862

The unlisted private fund represented a fund managed by private fund manager registered and approved by the Asset Management Association of China and is measured at fair value.

The fair value is determined based on the quoted market bid prices available on the relevant exchange. The unlisted investment as at 31 March 2018 was previously classified as available-for-sale investment and measured at fair value. Detail of the reclassification was set out in note 3.2 to the condensed consolidated financial statements.

10 LOAN RECEIVABLES AND LOAN INTEREST RECEIVABLES

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
Secured loan receivables	**188,394**	190,655

At 30 September 2018, loans to third parties with an aggregate principal amounting to HK$188,394,000 (31 March 2018: HK$190,655,000) are secured, bear interest ranging from 0% to 18% (31 March 2018: 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 agreement.

As at 30 September 2018, loan receivables amounting to HK$188,394,000 (31 March 2018: HK$190,655,000) together with interest receivables arising from the above loans of approximately HK$1,956,000 (31 March 2018: HK$8,353,000) classified as interest receivables were guaranteed by independent third parties to the Group and secured by the corresponding borrowers' equity interest.

During the current interim period, the directors of the Company have individually assessed each loan and considered that there is no indication of impairment on the loan and interest receivables except for the loan interest receivable from an associate of approximately HK$448,000 (31 March 2018: HK$298,000). Other than the impairment loss on loan interest receivable from an associate of approximately HK$448,000 (for the six months ended 30 September 2017: nil), 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:

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
1 to 90 days	**146,938**	–
91 to 180 days	**31,876**	163,000
Over 180 days	**9,580**	27,655
	188,394	190,655

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

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
Neither past due nor impaired	**98,457**	11,655
Past due:		
1 to 90 days	**89,937**	163,000
Over 90 days	**–**	16,000
	188,394	190,655

Included in the Group's loan receivables are debtors with aggregate amount of HK$89,937,000 (31 March 2018: HK$179,000,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors of the Company believed that the amount was recoverable, after taking into account of the settlement received subsequent to the end of the reporting period and guarantees provided by third parties.

Loan interest receivables

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

	Unaudited At 30 September 2018 ***HK$'000***	Audited At 31 March 2018 *HK$'000*
1 to 90 days	**1,618**	–
91 to 180 days	**–**	6,832
Over 180 days	**338**	1,521
	1,956	8,353

The ageing analysis of loan interest receivables based on the due date at the end of the reporting periods is as follows:

	Unaudited ***HK$'000***	Audited *HK$'000*
Neither past due nor impaired	**1,956**	637
Past due:		
1 to 90 days	**–**	6,832
Over 180 days	**–**	884
	1,956	8,353

Included in the Group's loan interest receivables are debtors with aggregate amount of HK$nil (31 March 2018: HK$7,716,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors of the Company believed that the amount was recoverable, after taking into account of the settlement received subsequent to the end of the reporting period and guarantees provided by third parties.

11 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 September 2018 ***HK$'000***	Audited At 31 March 2018 *HK$'000*
Trade receivables	**587**	1,227
Prepayments and deposits	**10,245**	13,871
Other receivables	**9,412**	2,762
	20,244	17,860

For receivables from healthcare services, the Group allows a credit period ranging from 30–180 days.

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

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
Within 90 days	**507**	1,193
91–180 days	**5**	34
181–365 days	**75**	–
	587	1,227

12 TRADE AND OTHER PAYABLES

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
Trade payables	**5,571**	3,642
Deposit received	**2,266**	4,115
Accruals and other payables	**14,637**	14,490
	22,474	22,247

Included in trade payables as at 30 September 2018, balance of approximately HK$6,000 (31 March 2018: HK$6,000) is payable to an associate in relation to the subcontracting services and purchase of goods.

Included in other payables as at 30 September 2018, balance of approximately HK$639,000 (31 March 2018: HK$622,000) is payable to an associate in relation to certain advances received.

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

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
Within 90 days	**5,529**	3,461
91–180 days	**42**	181
	5,571	3,642

The credit period granted by suppliers is normally 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13 SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2017, 30 September 2017, 1 April 2018 and 30 September 2018	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2017 (audited)	4,780,625,300	47,806
Issue of shares under placing *(Note 1)*	478,000,000	4,780
At 30 September 2017 (unaudited) and at 31 March 2018 (audited)	5,258,625,300	52,586
Exercise of share option *(Note 2)*	95,660,000	957
At 30 September 2018 (unaudited)	5,354,285,300	53,543

Note 1:

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.

Note 2:

On 4 May 2018 and 17 August 2018, 47,860,000 and 47,800,000 ordinary shares respectively of HK$0.01 each were issued at a price of HK$0.1804 per share upon the exercise of share options granted on 25 October 2017. The total consideration was approximately HK$17,257,000 and resulted in the net increase in share capital and share premium of approximately HK$957,000 and HK$20,110,000 respectively. The share options reserve has been decreased by approximately HK$3,810,000 and was transferred to share premium account.

Note 3:

The shares issued upon exercise of share option are pari passu in all respects with other shares in issue.

14 DISPOSAL OF SUBSIDIARIES

On 15 December 2017, a wholly-owned subsidiary of the Company entered into a share transfer agreement with an independent third party to dispose of the entire equity interests in China Education Media Limited (中國教育傳媒有限公司) ("China Education") and its subsidiary (collectively referred to as the "Disposal Group") which carried out all of the Group's education software and related services business and certain balances due by the Disposal Group to the Group for a cash consideration of HK$30,500,000 (the "Disposal").

The education software products and related services business of the Group is not profitable, with relative low margin and has little rooms for developments. As a result, it is no longer the Group's primary business and the emphasis of the Group's business development. The Disposal would enable the Group to streamline its business and consolidate its resources to focus on the development of other businesses of the Group.

Accordingly, the major classes of assets and liabilities of the education software products and related services business as at 31 March 2018, which have been presented separately in the consolidated statement of financial position, as disposal group held for sale.

	HK$'000
Analysis of assets and liabilities over which control was lost	
Property, plant and equipment	1,300
Loan receivables	6,873
Trade and other receivables	309
Inventory	3,076
Cash and bank balances	19,365
	30,923
Other payable	57
Net assets	30,866
Gain on disposal of a subsidiary	
Cash consideration received	30,500
Net assets disposed of	(30,866)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	2,870
	2,504
Net cash inflow arising on disposal	
Cash consideration received	30,500
Cash and cash equivalents disposed of	(19,365)
	11,135

The Disposal was completed on 8 June 2018.

15 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 September 2018, the Group's equity instrument at fair value through other comprehensive income was measured at Level 2 where fair value measurements are based on the net asset value of the funds, determined with reference to observable price of underlying investment portfolio and adjustments of related expenses. There is no transfer between different levels of the fair value hierarchy for the six months ended 30 September 2018.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the unaudited condensed consolidated financial statements approximate their fair values.

16 ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 10 May 2017, the Group acquired 70% equity interest in 天津蓮和醫學檢驗所有限公司 (Tianjin Lianhe Clinical Laboratory Limited*) (formerly known as 天津康信醫學檢驗所有限公司 (Tianjin Kangxin Clinical Laboratory Limited*)), incorporated in Tianjin of PRC ("Tianjin Laboratory"), from an independent third party, settled by a cash consideration of RMB4,000,000 (equivalent to approximately HK$4,494,000). The acquisition of Tianjin Laboratory was in substance an acquisition of an intangible asset for a Practice License of Medical Institution* (醫療機構執業許可證) owned by Tianjin Laboratory.

The effect of acquisition is summarised as follows:

Consideration transferred

	Unaudited *HK$'000*
Cash consideration paid	2,247
Cash consideration payable	2,247
Total	4,494

* *For identification purpose only*

Asset (liabilities) recognised at the date of acquisition

	Unaudited *HK$'000*
Intangible asset	6,444
Property, plant and equipment	31
Bank balances and cash	291
Other receivables	710
Inventories	121
Other payables	(1,177)
	6,420
Less: 30% non-controlling interest	(1,926)
	4,494

Net cash outflow arising on acquisition

	Unaudited *HK$'000*
Cash consideration paid	(2,247)
Bank balances and cash acquired	291
	(1,956)

17 CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group has no significant contingent liabilities and pledge of assets at the end of the reporting period.

FINANCIAL RESULTS

Turnover

For the six months ended 30 September 2018, the Group recorded a turnover of approximately HK$44.02 million (six months ended 30 September 2017: HK$25.79 million), representing an increase of approximately 70.69% as compared with the corresponding period last year. Such increase in turnover was primarily attributable to the revenue of HK$17.85 million generated from the healthcare services segment. The Group's overall gross profit margin was 64.70% (six months ended 30 September 2017: 51.06%). During the six months ended 30 September 2018 and 2017, the Group's overall gross profit was primarily attributable to the healthcare services and money lending segments.

Loss for the interim period

The Group's loss for the six months ended 30 September 2018 was approximately HK$66.95 million (six months ended 30 September 2017: HK$44.47 million), representing an increase of approximately 50.55% as compared with the corresponding period last year. The increase in loss was principally attributable to (i) the impairment loss on interest in an associate, property, plant and equipment, intangible asset and loan interest receivable from an associate; (ii) legal and professional fees related to project investment activities; and (iii) the increase in selling, distribution costs and administrative expenses as a result of the increase in marketing and promotion expenses from the healthcare services business; which was partially offset by the increase in gross profit generated from the Group's healthcare services business.

BUSINESS REVIEW AND PROSPECTS

Healthcare services business

In order to diversify and strengthen the revenue streams to maximise returns to the Company's shareholders, the Directors had identified the healthcare industry as a specific area of focus. Throughout last year, the healthcare services business for the Company was considered as the primary business of the Company with its strong growing trend, continues to strengthen the services in genetic testing and health data analysis.

The Group owns one research and development centre in Beijing, which organises and performs core technologies research and exploitations, and three production and testing centres in China, which all have 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 may change the number of clinical laboratories taking into consideration of the relevant economic benefit and the business requirements of the Group.

* *For identification purpose only*

To make sure that the Group could maintain in the rapid growth healthcare services business, the Group focused on improving the biological information analysis system and interpretation of clinical medicine system. By the end of 30 September 2018, the time of data analysis reduced from one day into one hour, and the analysis accurate rate has reached the top level in the genetic testing industry, which is one in a thousand in key areas.

To focus on sustainable development, the Group intends to enlarge and diversify the types of its genetic testing products and the health data analysis services, and optimise the cooperation with professionals and hospitals. Also, the Group will find opportunities to build close cooperation with companies in the genetic testing industry.

For the six months ended 30 September 2018, this segment recorded a turnover of HK$38.12 million (six months ended 30 September 2017: HK$20.27 million) and a loss in segment result of HK$31.41 million during the six months ended 30 September 2018 (six months ended 30 September 2017: HK$30.42 million). The increase in segment loss primarily comprises of (i) cost of material and service of HK$5.31 million; (ii) marketing and promotion expense of HK$4.18 million; and (iii) salary, wages and insurance of HK$12.72 million, partially offset by increase in gross revenue of HK$17.85 million.

Money lending business

During the six months ended 30 September 2018, money lending business recorded a turnover of interest income of HK$5.90 million (six months ended 30 September 2017: HK$5.51 million). Gross profit is 100% for both periods since no cost of finance were required under the money lending business. The source of funding is primarily from share capital which is a definite advantage for this diversification of business. The segment result covers internal cost allocation from central 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.

Looking forward, together with the professional knowledge and extensive experience in the money lending business it has built in the past, the Group believes it could consolidate and further expand its money lending business and portfolio in a long run.

Apparel retail business

The apparel retail business generated a loss of approximately HK$0.30 million during the six months ended 30 September 2018 (six months ended 30 September 2017: HK$0.48 million), representing a decrease of approximately 37.50% when compared with the same period in the previous year. The termination process of one subsidiary of apparel retail business is completed, and the loss in this segment was the termination related expense during the termination stage.

Securities trading and investments business

During the current and prior interim periods, the Group had no securities trading activities, while the management is cautious about the performance of the securities trading market and the Group will continue to adopt a prudent approach in securities trading business with a view to strengthen the shareholders' value in the long run.

Available-for-sale investment/Equity investment at fair value through other comprehensive income

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"). It's 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 principal purpose of the Company for subscription in this Fund is to enhance its income for the presently unutilised cash where additional revenue can be achieved from idle cash. In addition to providing a stable and guaranteed income, this Fund also allows for the flexibility of redemption at the Company's request. These features enable the Company to generate stable income from its cash surplus while at the same time, maintain the Company's liquidity position.

Impairment on interest in an associate, property, plant and equipment, intangible asset and loan interest receivable from 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.

Recently, Manrui Biotech has come across financial difficulties 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 contribute to the genetic and laboratory services in the healthcare 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 loss of approximately HK$21,076,000 for interest in an associate, property, plant

* *For identification purpose only*

and equipment and intangible asset which are allocated to the genetic and laboratory services of the Group.

In order to maximise returns to the Company's shareholders and ensure the Company's better operation, the management would continue to seek new business opportunities and investment projects suitable for the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Hua Yunbo and Ms. Shan Hua, one non-executive Director, namely Dr. Feng Xiaogang and four independent non-executive Directors, namely, Mr. Liu Xinghua, Mr. Zhou Jian, Mr. Zheng Chunlei and Ms. Zhang Xuyang.

The Board has approved the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018. The Board considers that the said financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong and the amounts reflected are based on the best estimates and reasonable, informed and prudent judgment of the Board with an appropriate consideration of materiality.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 233 employees excluding Directors (30 September 2017: 214). 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2018, the Group had bank balances and cash of approximately HK$36.76 million (31 March 2018: approximately HK$29.64 million). The Group mainly relies upon internally generated funds and proceeds from fund raising activities to finance its operations and expansion. The Group had no borrowing as at 30 September 2018.

During the period under review, the Group did not use any financial instruments for hedging purposes.

TREASURY POLICIES

The Group seeks to generate profits in its core businesses through the efficient employment of treasury activities. Treasury activities, if and when undertaken by the Group, aims to enhance the return on surplus cash and to assist those core businesses to run smoothly. Efficient management of surplus cash is achieved by conducting short-term treasury activities when opportunities arise.

All subsidiaries shall comply with the Group's treasury objective and policy. The Group has designated subsidiaries to carry out certain short-term treasury activities including securities investment, fund investment and money lending activities, which formed one of the Group's principal activities to broaden the Group's revenue base and achieve better shareholders' return. The securities investment activities, fund investment activities and money lending activities will only be conducted after having considered the actual working capital needs of the Group. Both the treasury activities and the investment policy are subject to review from time to time.

As the deposit rate offered by licensed banks in Hong Kong is minimal, the Group will continue its ordinary course of business to use its surplus cash to conduct treasury activities if and when opportunities arise. The Group foresees potentially attractive return can be generated from treasury activities.

MATERIAL ACQUISITION AND DISPOSAL

During the period under review, the Group did not have any material acquisitions or disposal.

PLEDGE OF ASSETS

During the six months ended 30 September 2018, the Group had no charge on assets.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group had no significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group recognises most of its revenue and incurs most of the expenditures in RMB or HK$. The Directors consider that the Group's foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in functional currency of each individual group entity. The Group currently does not have a foreign currency hedging policy. However, the Group's management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2018 have not been audited, but have been reviewed by the Audit Committee. The Audit Committee comprises three independent non-executive Directors. The primary duties of the Audit Committee are, amongst other matters, to communicate with the management of the Company; and review the accounting principles and practices, internal control system, risk management system, interim and annual results of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 September 2018, except for the following deviation:

— Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term and subject to re-election.

  The non-executive director and the independent non-executive directors of the Company 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 with 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 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.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' transactions in the Company's securities. Following specific enquiries by the Company, all Directors confirmed that they have complied with the Model Code during the six months ended 30 September 2018.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.lifehealthcare.com). The Group's interim report for the six months ended 30 September 2018 will be despatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Life Healthcare Group Limited
Shan Hua
Executive Director

Hong Kong, 29 November 2018

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

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

Non-executive Director:
Dr. Feng Xiaogang

Independent Non-Executive Directors:
Mr. Liu Xinghua
Mr. Zhou Jian
Mr. Zheng Chunlei
Ms. Zhang Xuyang