

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2021**

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 2021 together with comparative figures for the year ended 31 March 2020 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Healthcare products and services revenue		<b>98,953</b>	58,061
Loan interest income		<b>3,088</b>	5,744
Total revenue	3	<b>102,041</b>	63,805
Cost of sales and services		<b>(73,719)</b>	(51,702)
<b>Gross profit</b>		<b>28,322</b>	12,103
Other interest income		<b>344</b>	486
Other income and gains	5	<b>2,608</b>	2,467
Selling and distribution expenses		<b>(3,968)</b>	(319)
Share of result of an associate		<b>(5,001)</b>	(5,992)
Administrative and other expenses		<b>(21,601)</b>	(31,647)
Finance costs	6	<b>(63)</b>	(513)
<b>Profit/(loss) before tax</b>		<b>641</b>	(23,415)
Income tax expense	7	<b>(2,987)</b>	(308)
<b>Loss for the year</b>	8	<b>(2,346)</b>	(23,723)

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss for the year</b>		<b>(2,346)</b>	(23,723)
<b>Other comprehensive loss:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>15,251</b>	(11,045)
Share of foreign currency translation reserve of an associate		<b>2,617</b>	(2,524)
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		<b>(1,510)</b>	–
		<u><b>16,358</b></u>	<u>(13,569)</u>
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value change on equity investment at fair value through other comprehensive income		<u><b>1,847</b></u>	<u>(2,532)</u>
<b>Total comprehensive income/(loss) for the year</b>		<u><b>15,859</b></u>	<u>(39,824)</u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(4,583)</b>	(24,854)
Non-controlling interest		<u><b>2,237</b></u>	<u>1,131</u>
		<u><b>(2,346)</b></u>	<u>(23,723)</u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
Owners of the Company		<b>13,868</b>	(40,910)
Non-controlling interests		<u><b>1,991</b></u>	<u>1,086</u>
		<u><b>15,859</b></u>	<u>(39,824)</u>
<b>Loss per share</b>	<i>10</i>		(Restated)
<i>Basic and diluted (HK cents)</i>		<u><b>(0.38)</b></u>	<u>(2.32)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	<b>2020</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,129</b>	1,998
Right-of-use assets		<b>680</b>	1,880
Interest in an associate	<i>11</i>	<b>14,436</b>	20,000
Equity investment at fair value through other comprehensive income	<i>13</i>	<b>38,294</b>	825
Prepayment	<i>12</i>	<b>11,694</b>	13,789
		<hr/> <b>66,233</b>	<hr/> 38,492
<b>Current assets</b>			
Inventories		<b>54,180</b>	9
Loan receivables	<i>14</i>	<b>17,154</b>	17,154
Loan interest receivables	<i>14</i>	<b>5,489</b>	2,402
Trade and other receivables	<i>15</i>	<b>173,378</b>	58,314
Bank balances and cash		<b>8,574</b>	187,578
		<hr/> <b>258,775</b>	<hr/> 265,457
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>26,135</b>	51,143
Contract liabilities		–	509
Lease liabilities		<b>715</b>	1,049
Tax payable		<b>3,472</b>	878
		<hr/> <b>30,322</b>	<hr/> 53,579
<b>Net current assets</b>		<hr/> <b>228,453</b>	<hr/> 211,878
<b>Total assets less current liabilities</b>		<hr/> <b>294,686</b>	<hr/> 250,370

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		—	826
		—	826
<b>Net assets</b>		<b>294,686</b>	<b>249,544</b>
<b>Capital and reserves</b>			
Share capital	<i>17</i>	<b>64,251</b>	53,543
Reserves		<b>226,331</b>	193,888
<b>Equity attributable to owners of the Company</b>		<b>290,582</b>	247,431
Non-controlling interests		<b>4,104</b>	2,113
<b>Total equity</b>		<b>294,686</b>	<b>249,544</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 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 and (ii) money lending business.

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 2020. 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.

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 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.

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Continuing operations		
Revenue from contracts with customers		
— Healthcare services	25,298	22,169
— Healthcare products	73,655	35,892
Loan interest income	3,088	5,744
	<u>102,041</u>	<u>63,805</u>

## **Disaggregation of revenue from contracts with customers:**

### ***Geographical markets***

For the years ended 31 March 2021 and 2020, all revenues from healthcare services and healthcare products were recognised in PRC.

### ***Timing of revenue recognition***

For the years ended 31 March 2021 and 2020, 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 2020 and 2021, 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 result represents the result of each segment without allocation of interest income, other income and gains, share of result of an associate 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 an associate, equity investment at fair value through other comprehensive income, prepayment 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 2021*

	Healthcare products and services business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>98,953</u>	<u>3,088</u>	<u>102,041</u>
Segment profit	<u>7,741</u>	<u>2,761</u>	10,502
Interest revenue			344
Other income and gains			2,608
Share of result of an associate			(5,001)
Unallocated expenses			<u>(7,812)</u>
Profit before tax			<u>641</u>

### *For the year ended 31 March 2020*

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

## Geographical information

For the year ended 31 March 2021, loan interest income derived from Hong Kong and PRC were approximately HK\$3,088,000 (2020: HK\$4,286,000) and approximately HK\$nil (2020: HK\$1,458,000), respectively.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC	54,341	24,233
Hong Kong	11,892	14,259
	<u>66,233</u>	<u>38,492</u>

#### Information about major customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Healthcare products and services business		
Customer A	N/A*	32,810
Customer B	N/A*	11,451
Customer C	N/A*	7,789
Customer D	66,203	N/A*
	<u>66,203</u>	<u>N/A*</u>

\* Revenue from these customers did not exceed 10% of total revenue for the years ended 31 March 2021 or 2020.

#### 5. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on bargain purchase	–	1,069
Exchange gain, net	80	33
Loss on disposal of property, plant and equipment	–	(351)
Gain on disposal of subsidiaries	2,448	–
Sundry income	80	1,716
	<u>2,608</u>	<u>2,467</u>

#### 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease interest	63	513
	<u>63</u>	<u>513</u>



## 7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax:		
— Current year	11	52
PRC Enterprise income tax (the “EIT”)		
— Current year	<u>2,976</u>	<u>256</u>
	<u><u>2,987</u></u>	<u><u>308</u></u>

For the year ended 31 March 2021 and 2020, 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

The Group’s loss for the year is stated after charging the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor’s remuneration	1,880	1,580
Cost of inventories sold	73,719	49,376
Depreciation of property, plant and equipment	927	2,310
Depreciation of right-of-use assets	954	3,003
Loss on disposal of property, plant and equipment	–	351
Expenses related to short-term lease	356	136
Impairment of interest in an associate	3,180	7,268
Impairment of prepayment	4,351	–
Impairment of trade receivables	34	18
Directors’ remuneration	2,937	2,897
Other staff costs	4,063	3,919
Retirement benefits scheme contributions, excluding directors	478	604
Total staff costs	<u><u>7,478</u></u>	<u><u>7,420</u></u>

## 9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 March 2021 and 2020.

## 10. LOSS PER SHARE

### 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\$4,583,000 (2020: approximately HK\$24,854,000) attributable to owners of the Company and the weighted average number of approximately 1,204,052,000 (2020: approximately 1,070,857,000 as adjusted to reflect the impact of share consolidation on 23 September 2020) 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 2021 and 2020.

## 11. INTEREST IN AN ASSOCIATE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unlisted investments:		
Share of net assets	31,964	34,348
Loan to an associate	10,448	10,448
Impairment loss	<u>(27,976)</u>	<u>(24,796)</u>
	<u>14,436</u>	<u>20,000</u>

## 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 (2020: HK\$2,095,000) for the year ended 31 March 2021 in relation to such share options granted. The remaining value of the options of approximately HK\$13,789,000 (2020: HK\$15,884,000) was carried as a prepayment as at 31 March 2021 to be charged to profit or loss over the service period of the consultants with approximately HK\$11,694,000 (2020: HK\$13,789,000) included in non-current assets and HK\$2,095,000 (2020: HK\$2,095,000) included in current assets.

## 13. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Equity securities		
— Unlisted equity securities		
— 北京新清泰克體育科技有限公司	257	825
— 北京蓮和眾成醫療科技有限公司	<u>38,037</u>	<u>—</u>
	<u>38,294</u>	<u>825</u>

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss. 北京新清泰克體育科技有限公司 used the cost of the investment approximated to their fair value. The cost of the equity investment at fair value through other comprehensive income approximate its fair value and is an appropriate estimate of fair value since there is insufficient latest information available to measure fair value. 北京蓮和眾成醫療科技有限公司 is stated as fair value.

#### 14. LOAN RECEIVABLES/LOAN INTEREST RECEIVABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured loan receivables	<u><b>17,154</b></u>	<u>17,154</u>

The loan receivables granted to customers are mainly ranging from 3–9 months. As at 31 March 2021 and 2020, loans to third parties with an aggregate principal amount of approximately HK\$17,154,000 are secured, bear interest at 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 2021 and 2020, loan receivables amounting to approximately HK\$17,154,000 together with interest receivables from the one third party of which approximately HK\$5,489,000 (2020: HK\$2,402,000) were pledged by a property.

For the year ended 31 March 2021 and 2020, 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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Over 365 days	<u><b>17,154</b></u>	<u>17,154</u>

Loan interest receivables:

Loan interest receivables represented interest accrued on the loan receivables over 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:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 90 days	771	772
91 to 180 days	772	772
181 to 365 days	1,544	858
Over 365 days	<u>2,402</u>	<u>–</u>
	<u><b>5,489</b></u>	<u>2,402</u>

#### 15. TRADE AND OTHER RECEIVABLES

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables	11,550	47,818
Less: allowance for trade receivables	<u>(133)</u>	<u>(90)</u>
	11,417	47,728
Prepayments and deposits	157,589	5,699
Less: allowance for prepayments and deposits	<u>(4,497)</u>	<u>–</u>
	153,092	5,699
Other receivables	<u>8,869</u>	<u>4,887</u>
	<u><b>173,378</b></u>	<u>58,314</u>

Included in prepayments and deposit are mainly advances to suppliers for purchases of goods amounting to HK\$149,908,000 net of impairment provision of HK\$4,497,000 (2020: HK\$329,000 with no impairment provision).

For the year ended 31 March 2021, for the receivables from healthcare services and trading of healthcare products, the Group allows a credit period 0–365 days (2020: 0–365 days) to corporate customers. Most of the healthcare services were receipt in advance from individual customers.

## Allowance for trade receivables

The movements in allowance for trade receivables are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of the reporting period	90	77
Allowance for the year	34	18
Exchange adjustments	9	(5)
	<u>          </u>	<u>          </u>
At the end of the reporting period	<u>          133</u>	<u>          90</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	8,495	47,530
91–180 days	214	–
Over 181 days	2,708	198
	<u>          </u>	<u>          </u>
	<u>          11,417</u>	<u>          47,728</u>

## 16. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	11,003	41,439
Accruals and other payables	15,132	9,704
	<u>          </u>	<u>          </u>
	<u>          26,135</u>	<u>          51,143</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	6,366	41,438
91–180 days	95	1
181 days to 1 year	2,407	–
Over 1 year	2,135	–
	<u>          </u>	<u>          </u>
	<u>          11,003</u>	<u>          41,439</u>

The credit period granted by suppliers is normally within 90 days as at 31 March 2021 (2020: within 90 days).

## 17. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares '000</b>	<i>HK\$'000</i>
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 each at 1 April 2019, 31 March 2020, 1 April 2020		50,000,000	500,000
Share consolidation	<i>(b)</i>	<u>(40,000,000)</u>	<u>–</u>
		<u>10,000,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.01 each at 1 April 2019, 31 March 2020, 1 April 2020		5,354,285	53,543
Issue of shares on placement	<i>(a)</i>	1,070,840	10,708
Share consolidation	<i>(b)</i>	<u>(5,140,100)</u>	<u>–</u>
		<u>1,285,025</u>	<u>64,251</u>

### *Note:*

- (a) On 30 July 2020, the Company entered into a placing agreement with a placing agent in respect of the placement of 1,070,840,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.028 per share. The placement was completed on 17 August 2020 and the premium on the issue of shares, amounting to approximately HK\$18,575,000, net of share issue expenses of approximately HK\$700,000, was credited to the Company's share premium account.
- (b) Pursuant to a special general meeting resolution passed on 21 September 2020, every 5 ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK\$0.05 each in the issued and unissued share capital of the Company effective on 23 September 2020.

## 18. CAPITAL COMMITMENT

The Group did not have any capital commitment as at 31 March 2021 and 2020.

## 19. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Group has no pledge of assets and contingent liabilities as at 31 March 2021 and 2020.

## 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 2021.

### 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 2021, 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 2021, 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\$14,436,000 and HK\$20,000,000 as at 31 March 2021 and 2020 respectively; (iii) whether the share of loss of interest in that associate of approximately HK\$5,001,000 and HK\$5,992,000 were properly recorded

for the years ended 31 March 2021 and 2020, respectively; (iv) whether the share of foreign currency translation reserve of that associate of approximately HK\$2,617,000 (Credit) and HK\$2,524,000 (Debit) were properly recorded for the years ended 31 March 2021 and 2020, respectively; (v) whether the balance of translation reserve of that associate of HK\$2,188,000 (Credit) and HK\$429,000 (Debit) were properly recorded as at 31 March 2021 and 2020, respectively; (vi) whether the impairment for interest in that associate of HK\$3,180,000 and HK\$7,268,000 for the year ended 31 March 2021 and 2020 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\$13,789,000 and HK\$15,884,000 as at 31 March 2021 and 2020, respectively; and (ii) whether the amortisation of prepayment included in administrative and other expenses of approximately HK\$2,095,000 was properly recorded for the years ended 31 March 2021 and 2020, respectively.

## **3. *Equity investment at fair value through other comprehensive income***

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the fair value and the recoverability of equity investment at fair value through other comprehensive income of approximately HK\$38,037,000 as at 31 March 2021; (ii) whether the fair value change on equity investment at fair value through other comprehensive income of approximately HK\$2,460,000 was properly recorded for the years ended 31 March 2021 and; (iii) whether the revaluation reserve of approximately HK\$2,460,000 were properly recorded as at 31 March 2021.

## **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 from 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 with reference to the cashflow of the Group’s healthcare segment revenue. ZHONGHUI is of the view that the Group’s measurement 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 method is not applicable. On the other hand, Manrui Biotech did not generate any revenue from the Group for use of its technologies that the measurement based on Manrui Biotech's own cashflows is not feasible as well.

The Audit Committee is of the view that the carrying value of the Group's investment in Manrui Biotech at HK\$14,436,000 as at 31 March 2021 is fair and reasonable in accordance with HKAS 36.

## **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 2021 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 6 years. ZHONGHUI is lack of sufficient information to ascertain the economic benefits from the consultants' work/services for the next 6 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 previously. 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. The equity investment at fair value through other comprehensive income relates to 北京蓮和眾成醫療科技有限公司 (Beijing Life Healthcare Zhongcheng Medical Technologies Co., Ltd.\*) with principal activities such as research and development of medical technology innovations such as genomics, cell therapy and their application in the field of human health and precision medicine. The Company has been exploring and considering various valuation methodologies which might be applicable in assessing the fair value of Company which is commencing its business pursuant to the requirements of HKFRS 9, such as the discounted cashflow method and income capitalisation method under the income approach as well as the market comparable

method. ZHONGHUI did not have any disagreement with the appropriateness of any of these valuation methods, subject to the availability of relevant information required for the assessment and its review of the final valuation assessment together with the underlying assumptions and calculations.

In light of this, and after considering the information that is necessary for conducting assessment under the other two methodologies, the Company intends to adopt the discounted cashflow method. On the basis that the information that is required to be obtained, including future cash flow, dividend policy and breakdown of contributions by principal segments of the equity investment as well as the valuation of other market comparables, may be available without relying upon audited consolidated financial statements of equity investment, the Company is of the view that it would be able to gather sufficient information for completing the valuation assessment which will then be reviewed by the audit committee of the Company, the Board and ZHONGHUI with the aim that the fair value assessment be finalised and the qualified conclusion be removed in the financial year ending 31 March 2022 subject to ZHONGHUI's review of the final valuation assessment together with the underlying assumptions and calculations. ZHONGHUI's qualification could be resolved when the information of its fair value can be determined.

The Audit Committee concurs to the actions to be taken by the Company on valuation methodologies on equity investment at fair value through other comprehensive income. The Audit Committee advises the management to resolve the audit qualification by communicating with ZHONGHUI and the valuers who conduct valuation on the equity investment of the Company and seek ZHONGHUI's agreement on the selected methodology.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the year ended 31 March 2021, the Group recorded a revenue of approximately HK\$102.04 million (year ended 31 March 2020: approximately HK\$63.81 million), representing an increase of approximately 59.93% as compared with the corresponding period last year.

For the year ended 31 March 2021, the Group recorded gross profit of approximately HK\$28.32 million (year ended 31 March 2020: approximately HK\$12.10 million). The Group's overall gross profit margin was 27.76% (year ended 31 March 2020: 18.97%). During the year ended 31 March 2021 and 2020, 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 2021 was approximately HK\$2.35 million (year ended 31 March 2020: approximately HK\$23.72 million), representing a decrease of approximately 90.11% as compared with the corresponding period last year. The decrease in loss was mainly attributable to (i) due to the COVID-19 pandemic, the Company used its existing resources to expand sales of medical products and epidemic prevention materials, which led to significant increase in revenue; and (ii) significant drop in administrative expense for the year ended 31 March 2021 as some items of expenses were no longer incurred or were considerably reduced during the year ended 31 March 2021.

Basic and diluted loss per share for the year ended 31 March 2021 was approximately HK\$0.38 cents (year ended 31 March 2020: approximately HK\$2.32 cents), representing a decrease in loss of approximately 83.62% 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. Due to the COVID-19 pandemic, the Company used its existing resources and expanded its arms to sales of medical equipment and epidemic prevention materials, which led to significant increase in revenue.

The Group currently owns one research and development centre in Beijing and one production and testing centre in Guangzhou, with Practice License of Medical Institution\* (醫療機構執業許可證), which allow the Group to organize and perform core technologies research and exploitations, as well as provide healthcare services to the clients nationwide.

During the reporting period, the Group signed a cooperation agreement with four partners to jointly establish Beijing Life Healthcare Zhongcheng Medical Technologies Co., Ltd.\* (“**Joint Venture**”). As of 30 September 2020, the Joint Venture has completed the registration and started business, and the Group has paid all capital commitments: RMB30,000,000. For details, please refer to the announcement of the Company dated 26 June 2020.

The Group's genetic testing business, urine chemical testing business and other health products and services business are complimentary to each other and form a series of synergy effects 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.

Looking forward, the Group intends to enlarge and diversify the types of its genetic testing and health data analysis products, stem cells and novative medical technology products, make efforts to extend the product supply, and develop international business, to facilitate more comprehensive services to its customers with better profit margin.

For the year ended 31 March 2021, the healthcare products and services segment recorded a turnover of HK\$98.95 million (year ended 31 March 2020: HK\$58.06 million) representing the turnover generated by genetic testing and health data analysis services and trading of healthcare products and a segment profit of HK\$7.74 million (year ended 31 March 2020: loss of HK\$12.92 million), representing an increase of approximately HK\$20.66 million 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 2021 owing to its low cost of funding.

During the year ended 31 March 2021, interest income from the money lending business was HK\$3.09 million (year ended 31 March 2020: HK\$5.74 million), representing a decrease of approximately 46.24% 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.

### **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.

\* *For identification purposes only*

The directors of the Company provide an impairment of approximately HK\$3.18 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 2021 (year ended 31 March 2020: 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 2021, the Group's net current assets were approximately HK\$228.45 million including cash and cash equivalents of approximately HK\$8.57 million (31 March 2020: net current assets of approximately HK\$211.88 million including cash and cash equivalents of approximately HK\$187.58 million).

No gearing ratio was calculated as the Group had no debt as at 31 March 2021.

## **CAPITAL EXPENDITURE COMMITMENTS**

As of 31 March 2021 and 2020, the Group had no capital commitments to acquire property, plant and equipment.

## **PLEDGE OF ASSETS**

As of 31 March 2021 and 2020, the Group had not pledged any of its assets.

## **CONTINGENT LIABILITIES**

As of 31 March 2021 and 2020, the Group had no significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of 31 March 2021, the Group had 19 full-time employees excluding Directors (2020: 14 employees). The increase in the number of employees was attributed to the expanding of the Company's business. 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 Ms. Zheng Xin, with the chairman possessing the appropriate professional qualifications and accounting expertise.

The Company's annual results for the year ended 31 March 2021 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 2021 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 2021. 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 2021.

## **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 2021, except for the following deviation:

- 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. Two independent non-executive Directors and a former non-executive Director 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.

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 2021.

## **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 2021 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**  
*Chairman and Executive Director*

Hong Kong, 28 June 2021

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

*Executive Directors:*

Mr. Xu Xueping (*Chairman*)  
Mr. Man Wai Lun

*Non-executive Director:*

Ms. Fu Xiaoji

*Independent Non-Executive Directors:*

Mr. Liu Xinghua  
Mr. Cheng Chun Man  
Ms. Zheng Xin