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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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Life Healthcare Group Limited (the “**Company**”) hereby announces the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2022 together with comparative figures for the year ended 31 March 2021 as follows:

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process of the annual results of the Group for the year ended 31 March 2022 has not been completed and the Company is unable to publish an audited annual results announcement that has been agreed with the Company’s auditors by 30 June 2022 in accordance with Rule 13.49 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Healthcare products and services revenue		92,118	98,953
Loan interest income		755	3,088
Total revenue	3	92,873	102,041
Cost of sales and services		(79,119)	(73,719)
Gross profit		13,754	28,322
Interest income		6	344
Other income and gains	5	927	2,608
Share of result of an associate		(5,936)	(5,001)
Selling and distribution expenses		(227)	(3,968)
Administrative and other expenses		(39,130)	(21,601)
Finance costs	6	(23)	(63)
(Loss)/profit before tax		(30,629)	641
Income tax expense	7	(631)	(2,987)
Loss for the year	8	(31,260)	(2,346)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		8,751	15,251
Share of foreign currency translation reserve of an associate		(25)	2,617
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		–	(1,510)
		8,726	16,358
<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		(2,603)	1,847
Total comprehensive (loss)/income for the year		(25,137)	15,859
Loss for the year attributable to:			
Owners of the Company		(31,152)	(4,583)
Non-controlling interests		(108)	2,237
		(31,260)	(2,346)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(24,833)	13,868
Non-controlling interests		(304)	1,991
		(25,137)	15,859
Loss per share	10		
<i>Basic and diluted (HK cents)</i>		(2.42)	(0.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		401	1,129
Right-of-use assets		419	680
Interest in associates		67,814	14,436
Equity investment at fair value through other comprehensive income		37,258	38,294
Prepayment		–	11,694
		105,892	66,233
 Current assets			
Inventories		10	54,180
Loan receivables		–	17,154
Loan interest receivables		–	5,489
Trade and other receivables	<i>11</i>	159,636	173,378
Bank balances and cash		37,402	8,574
		197,048	258,775
 Current liabilities			
Trade and other payables	<i>12</i>	28,725	26,135
Lease liabilities		249	715
Tax payable		4,244	3,472
		33,218	30,322
 Net current assets		163,830	228,453
 TOTAL ASSETS LESS CURRENT LIABILITIES		269,722	294,686
 Non-current liabilities			
Lease liabilities		173	–
		173	–
 NET ASSETS		269,549	294,686
 Capital and reserves			
Share capital	<i>13</i>	64,251	64,251
Reserves		201,498	226,331
		265,749	290,582
Equity attributable to owners of the Company		265,749	290,582
Non-controlling interests		3,800	4,104
		269,549	294,686
 TOTAL EQUITY		269,549	294,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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, Cayman Islands and the principal place of business of the Company in Hong Kong is Office A, 12/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 healthcare products and services business and 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 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current year and prior years.

3. REVENUE

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

	2022 <i>HK\$’000</i> (Unaudited)	2021 <i>HK\$’000</i> (Audited)
Revenue from contracts with customers		
– Healthcare services	7,390	25,298
– Healthcare products	84,728	73,655
Loan interest income	755	3,088
	<hr/> 92,873 <hr/> <hr/>	<hr/> 102,041 <hr/> <hr/>

Disaggregation of revenue from contracts with customers:

Geographical markets

For the years ended 31 March 2022 and 2021, all revenues from healthcare services and trading of healthcare products were recognised in PRC.

Timing of revenue recognition

For the years ended 31 March 2022 and 2021, all revenues from healthcare services and trading of 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 2022 and 2021, the Group has two operating and reportable segments, 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 associates and central administration costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources among segments, all assets and liabilities are allocated to operating segments on the basis of the revenue earned by individual reportable segment. Segment assets exclude interest in 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 2022 (Unaudited)

	Healthcare products and services business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>92,118</u>	<u>755</u>	<u>92,873</u>
Segment profit/(loss)	<u>3,709</u>	<u>(1,876)</u>	<u>1,833</u>
Interest revenue			6
Other income and gains			927
Share of result of an associate			(5,936)
Unallocated expenses			<u>(27,459)</u>
Loss before tax			<u>(30,629)</u>

For the year ended 31 March 2021 (Audited)

	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>	<u>10,502</u>
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>

Geographical information

For the year ended 31 March 2022 and 2021, loan interest income were derived from Hong Kong.

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

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
PRC	105,473	54,341
Hong Kong	419	11,892
	<u>105,892</u>	<u>66,233</u>

Information about major customers

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Healthcare products and services business		
Customer A	—*	66,203
Customer B	<u>84,690</u>	<u>—#</u>

* No revenue was generated from this customer for the year ended 31 March 2022.

No revenue was generated from this customer for the year ended 31 March 2021.

5. OTHER INCOME AND GAINS

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Exchange gain, net	2	80
Gain on disposal of subsidiaries	—	2,448
Sundry income	<u>925</u>	<u>80</u>
	<u>927</u>	<u>2,608</u>

6. FINANCE COSTS

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Lease interest	<u>23</u>	<u>63</u>

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Hong Kong Profits Tax:		
– Current year	631	11
PRC Enterprise income tax (the “EIT”)		
– Current year	—	2,976
	<u>631</u>	<u>2,987</u>

For the year ended 31 March 2022 and 2021, 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:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Auditor’s remuneration	1,800	1,880
Cost of inventories sold	79,119	73,719
Depreciation of property, plant and equipment	774	927
Depreciation of right-of-use assets	775	954
Expenses related to short-term lease	1,107	356
Impairment of trade receivables	—	34
Impairment of prepayment	11,695	4,351
Impairment of interest in an associate	9,101	3,180
Directors’ remuneration	1,961	2,937
Other staff costs	4,170	4,063
Retirement benefits scheme contributions, excluding directors	570	478
Total staff costs	<u>6,701</u>	<u>7,478</u>

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 March 2022 and 2021.

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\$31,152,000 (unaudited) (2021: approximately HK\$4,583,000 (audited)) attributable to owners of the Company and the weighted average number of approximately 1,285,025,000 (2021: approximately 1,204,052,000).

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 March 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade receivables	24,358	11,550
Less: allowance for trade receivables	(139)	(133)
	<u>24,219</u>	<u>11,417</u>
Prepayments and deposits	132,778	157,589
Less: allowance for prepayments and deposits	(6,781)	(4,497)
	<u>125,997</u>	<u>153,092</u>
Other receivables	9,420	8,869
	<u>159,636</u>	<u>173,378</u>

Included in prepayments and deposit are mainly advances to suppliers for purchases of goods amounting to HK\$129,631,000 net of impairment provision of HK\$6,781,000 (2021: HK\$4,497,000).

For the year ended 31 March 2022, for the receivables from healthcare services and trading of healthcare products, the Group allows a credit period 0 – 365 days (2021: 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:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
At beginning of the reporting period	133	90
Allowance for the year	–	34
Exchange adjustments	6	9
	<u>139</u>	<u>133</u>
At the end of the reporting period	<u>139</u>	<u>133</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:

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Within 90 days	3,317	8,495
91 – 180 days	–	214
Over 181 days	20,902	2,708
	24,219	11,417

12. TRADE AND OTHER PAYABLES

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade payables	5,009	11,003
Accruals and other payables	23,716	15,132
	28,725	26,135

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

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Within 90 days	3,698	6,366
91 – 180 days	6	95
181 days to 1 year	–	2,407
Over 1 year	1,305	2,135
	5,009	11,003

The credit period granted by suppliers is normally within 90 days as at 31 March 2022 (2021: within 90 days).

13. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	<i>HK\$'000</i>
Authorised:			
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>
Ordinary shares of HK\$0.05 each at 31 March 2021 and 2022		<u>10,000,000</u>	<u>500,000</u>
Issued and fully paid:			
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>
Ordinary shares of HK\$0.05 each at 31 March 2021 and 2022		<u>1,285,025</u>	<u>64,251</u>

Notes:

- (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.

14. CAPITAL COMMITMENT

The Group did not have any capital commitment as at 31 March 2022 and 2021.

15. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Group has no pledge of assets and contingent liabilities as at 31 March 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2022, the Group recorded a revenue of approximately HK\$92.87 million (year ended 31 March 2021: approximately HK\$102.04 million), representing a decrease of approximately 8.98% as compared with the corresponding period last year.

For the year ended 31 March 2022, the Group recorded gross profit of approximately HK\$13.75 million (year ended 31 March 2021: approximately HK\$28.32 million). The Group's overall gross profit margin was 14.81% (year ended 31 March 2021: 27.76%). During the year ended 31 March 2022 and 2021, the Group's overall gross profit was primarily attributable to the healthcare products and services.

The loss for the year ended 31 March 2022 was approximately HK\$31.26 million (year ended 31 March 2021: approximately HK\$2.35 million), representing an increase of approximately 28.91 million as compared with the corresponding period last year. The increase in loss was mainly attributable to (i) Due to the COVID-19 pandemic, the export businesses of the Company was restricted, and domestic epidemic control results in the increased costs of the Group, and the overall economic downturn led to intense competition in the industry, which result in a significant decrease in overall revenue; and (ii) the increase in expenses of the Group is mainly attributable to the full impairment of investment in associate as well as the prepayment in relation to share options this year.

Basic and diluted loss per share for the year ended 31 March 2022 was approximately HK\$2.42 cents (year ended 31 March 2021: approximately HK\$0.38 cents), representing an increase in loss of approximately HK\$2.04 cents 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 the past three years. Due to the COVID-19 pandemic, the export businesses of the Company was restricted, and domestic epidemic control results in the increased costs of the Group, and the overall economic downturn led to intense competition in the industry, which result in a significant decrease in overall revenue and gross profit margin.

The Group currently owns 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.

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 healthcare product supply, and develop international business, to facilitate more comprehensive services to its customers with better profit margin.

For the year ended 31 March 2022, the healthcare products and services segment recorded a turnover of HK\$92.12 million (year ended 31 March 2021: HK\$98.95 million) representing the turnover generated by genetic testing and health data analysis services and trading of healthcare products and a segment profit of HK\$3.71 million (year ended 31 March 2021: HK\$7.74 million), representing a decrease of approximately HK\$4.03 million as compared with the corresponding period last year.

Domestic epidemic control resulted in increased costs of the Group, and the overall economic downturn lead to intense competition in the industry, which result in a significant decrease in gross profit margin.

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 owing to its low cost of funding. However, the money lending business recorded a loss for the year ended 31 March 2022 because of handling costs incurred in recovering a long overdue loan.

During the year ended 31 March 2022, interest income from the money lending business was HK\$0.76 million (year ended 31 March 2021: HK\$3.09 million), representing a decrease of approximately 75.55% 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 to zero balance as at 31 March 2022.

Impairment on interest in an associate

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

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

The directors of the Company provide an impairment of approximately HK\$9.10 million for interest in an associate.

* *For identification purposes only*

Impairment of prepayment on share option

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. Because the experts above failed to provide the services as contracted for three consecutive years, the Company made full impairment for carrying amounts of HK\$11.70 million.

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 2022 (year ended 31 March 2021: 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 2022, the Group's net current assets were approximately HK\$163.83 million including cash and cash equivalents of approximately HK\$37.40 million (31 March 2021: net current assets of approximately HK\$228.45 million including cash and cash equivalents of approximately HK\$8.57 million).

No gearing ratio was calculated as the Group had no debt as at 31 March 2022 (2021: 0).

DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the Company dated 26 June 2020 in relation to, among other things, the formation of 北京蓮和眾成醫療科技有限公司 (Beijing Life Healthcare Zhongcheng Medical Technologies Co., Ltd.*) as a joint venture company and the Group's contribution of RMB30,000,000 towards the registered capital of 北京蓮和眾成醫療科技有限公司 (Beijing Life Healthcare Zhongcheng Medical Technologies Co., Ltd.*).

On 29 June 2022, the Group, entered into the disposal agreement with the purchaser pursuant to which the Group agreed to sell, and the purchaser agreed to acquire, the 15% equity interest in 北京蓮和眾成醫療科技有限公司 (Beijing Life Healthcare Zhongcheng Medical Technologies Co., Ltd.*) held by the Group ("**Sale Interest**") for a consideration of RMB30,000,000.

The consideration of RMB30,000,000 was determined after arm's length negotiations between the Group and the purchaser with reference to the valuation of the Sale Interest as at 31 March 2022 at RMB26,350,000, as appraised by an independent valuer using the market approach.

The purchaser will pay the consideration in cash to the Group within 20 working days after completion of the disposal and the business registration in respect of the disposal.

Following the completion of the disposal, the Company will cease to hold any equity interest in the 北京蓮和眾成醫療科技有限公司 (Beijing Life Healthcare Zhongcheng Medical Technologies Co., Ltd.*).

The Company intends to apply the proceeds from the disposal for enrichment of general working capital for operation and existing business of the Group.

For details, please refer to the announcement of the Company dated 29 June 2022.

CAPITAL EXPENDITURE COMMITMENTS

As of 31 March 2022, the Group had no capital commitments to acquire property, plant and equipment (31 March 2021: HK\$Nil).

PLEDGE OF ASSETS

As of 31 March 2022 and 2021, the Group had not pledged any of its assets.

CONTINGENT LIABILITIES

As of 31 March 2022 and 2021, 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.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2022, the Group had 15 full-time employees excluding Directors (2021: 19 employees). The decrease in the number of employees was attributed to the marketing strategy to focus on distributor sales. The Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include medical insurance coverage, mandatory provident fund for Hong Kong employees, state-managed retirement benefits scheme for PRC employees and share option scheme.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises of three independent non-executive Directors, namely Mr. Wang Yang (Chairman of the Audit Committee), Mr. Liu Xinghua and Mr. Chan Man Kiu ("**Mr. Chan**"), with Mr. Chan possessing the appropriate professional qualifications and accounting expertise.

The Company's unaudited annual results for the year ended 31 March 2022 have been reviewed by the Audit Committee.

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 2022.

CORPORATE GOVERNANCE PRACTICES

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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) during the year ended 31 March 2022, 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. An independent non-executive Director was 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. With the implementation of the new CG Code effective from 1 January 2022, the requirement for non-executive directors be appointed for specific term no longer exists.
- Following the resignation of Mr. Cheng Chun Man as an independent non-executive Director on 30 November 2021, the Company fails to meet the requirements of (i) having at least three independent non-executive Directors on the Board under rule 3.10(1) of the Listing Rules; and (ii) having a minimum of three non-executive directors in the Audit Committee under rule 3.21 of the Listing Rules. Following the appointment of Mr. Wang Yang as an independent non-executive Director, chairman and member of the Audit Committee on 6 December 2021, the Company has complied with the requirements of under rule 3.10(1) and rule 3.21 of the Listing Rules.

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 2022.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Company's auditing process for the year ended 31 March 2022 has been adversely affected due to the implementation of the COVID-19 pandemic prevention and control quarantine measures and restrictions in certain cities in mainland China, especially Beijing where the Company's head office and accounting department are located, including delay in sending and receiving audit confirmations to and from banks, suppliers and customers due to delays in postal services, obtaining financial information of the investee companies, physical inspection of medical equipment and materials, motor vehicles and licences, and suspension of work of the Company's head office in Beijing due to lockdown measures in mainland China which affected the preparation and gathering process of necessary documents and information required for the audit work. Accordingly, it was unable to complete the audit of the Group's annual results for the year ended 31 March 2022 by 30 June 2022 in accordance with the requirements of the Listing Rules.

The unaudited annual results for the year ended 31 March 2022 presented herein have not been agreed with the Company's auditor, ZHONGHUI ANDA CPA Limited. An announcement relating to the audited results for the year ended 31 March 2022 will be made when the auditing process is completed. The unaudited annual results for the year ended 31 March 2022 contained herein have been reviewed and agreed by the Audit Committee.

PUBLICATION OF UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

This unaudited annual 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 2022 will be despatched to the shareholders of the Company and available on the above websites in due course.

The Company will make further announcement(s) in relation to (i) the audited results for the year ended 31 March 2022 as agreed with the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting ("AGM") will be held; and (iii) the arrangement to ascertain shareholders' eligibility to attend and vote at the AGM (including the period during which the register of members of the Company will be closed). In addition, the Company will make further announcement as and when necessary if there is other material development in relation to completion of the auditing process.

By Order of the Board
LIFE HEALTHCARE GROUP LIMITED
Pang Zhen
Executive Director

Hong Kong, 30 June 2022

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

Executive Directors:

Mr. Pang Zhen
Mr. Man Wai Lun
Mr. Huang Zhifang

Independent Non-Executive Directors:

Mr. Liu Xinghua
Mr. Wang Yang
Mr. Chan Man Kiu