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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
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 audited 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:

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

*FOR THE YEAR ENDED 31 MARCH 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Healthcare products and services revenue		<b>92,118</b>	98,953
Loan interest income		<b>755</b>	3,088
<b>Total revenue</b>	<b>3</b>	<b>92,873</b>	102,041
Cost of sales and services		<b>(79,119)</b>	(73,719)
<b>Gross profit</b>		<b>13,754</b>	28,322
Interest income		<b>6</b>	344
Other income and gains	<b>5</b>	<b>927</b>	2,608
Share of result of associates		<b>(5,936)</b>	(5,001)
Selling and distribution expenses		<b>(227)</b>	(3,968)
Administrative and other expenses		<b>(45,188)</b>	(21,601)
Finance costs	<b>6</b>	<b>(23)</b>	(63)
<b>(Loss)/profit before tax</b>		<b>(36,687)</b>	641
Income tax expense	<b>7</b>	<b>(631)</b>	(2,987)
<b>Loss for the year</b>	<b>8</b>	<b>(37,318)</b>	(2,346)
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>8,644</b>	15,251
Share of foreign currency translation reserve of an associate		<b>(25)</b>	2,617
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		<b>–</b>	(1,510)
		<b>8,619</b>	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		<b>(2,603)</b>	1,847
<b>Total comprehensive (loss)/income for the year</b>		<b>(31,302)</b>	15,859
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(34,458)</b>	(4,583)
Non-controlling interests		<b>(2,860)</b>	2,237
		<b>(37,318)</b>	(2,346)
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
Owners of the Company		<b>(28,299)</b>	13,868
Non-controlling interests		<b>(3,003)</b>	1,991
		<b>(31,302)</b>	15,859
<b>Loss per share</b>			
<i>Basic and diluted (HK cents)</i>	<b>10</b>	<b>(2.68)</b>	(0.38)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 MARCH 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>401</b>	1,129
Right-of-use assets		<b>419</b>	680
Interest in associates		<b>67,814</b>	14,436
Equity investment at fair value through other comprehensive income		<b>37,258</b>	38,294
Prepayment		–	11,694
		<b>105,892</b>	66,233
<b>Current assets</b>			
Inventories		<b>10</b>	54,180
Loan receivables		–	17,154
Loan interest receivables		–	5,489
Trade and other receivables	<i>11</i>	<b>159,636</b>	173,378
Bank balances and cash		<b>37,402</b>	8,574
		<b>197,048</b>	258,775
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>34,890</b>	26,135
Lease liabilities		<b>249</b>	715
Tax payable		<b>4,244</b>	3,472
		<b>39,383</b>	30,322
<b>Net current assets</b>		<b>157,665</b>	228,453
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>263,557</b>	294,686
<b>Non-current liabilities</b>			
Lease liabilities		<b>173</b>	–
		<b>173</b>	–
<b>NET ASSETS</b>		<b>263,384</b>	294,686
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>64,251</b>	64,251
Reserves		<b>198,032</b>	226,331
<b>Equity attributable to owners of the Company</b>		<b>262,283</b>	290,582
Non-controlling interests		<b>1,101</b>	4,104
<b>TOTAL EQUITY</b>		<b>263,384</b>	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, the 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 products delivered and services provided by the Group to outside customers during the year.

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

## **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 loss/profit represents the loss/profit of each segment without allocation of interest income, other income and gains, share of result of associates and central administration costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources among segments, all assets and liabilities are allocated to operating segments on the basis of the revenue earned by individual reportable segment. Segment assets exclude interest in associates, equity investment at fair value through other comprehensive income, prepayment 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*

	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 loss	<u>(2,348)</u>	<u>(1,876)</u>	<u>(4,224)</u>
Interest revenue			6
Other income and gains			927
Share of result of associates			(5,936)
Unallocated expenses			<u>(27,460)</u>
Loss before tax			<u>(36,687)</u>

*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>	<u>10,502</u>
Interest revenue			344
Other income and gains			2,608
Share of result of associates			(5,001)
Unallocated expenses			<u>(7,812)</u>
Profit before tax			<u>641</u>

## Geographical information

For the year ended 31 March 2022, loan interest income derived from Hong Kong was approximately HK\$755,000 (2021: HK\$3,088,000).

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

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

## Information about major customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Healthcare products and services business		
Customer A	—*	66,203
Customer B	84,690	—#
	<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 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Exchange gain, net	2	80
Gain on disposal of subsidiaries	—	2,448
Sundry income	925	80
	<u>927</u>	<u>2,608</u>

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Lease interest	23	63
	<u>23</u>	<u>63</u>

## 7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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>	2021 <i>HK\$'000</i>
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	13,978	4,351
Impairment of interest in associates	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\$34,458,000 (2021: approximately HK\$4,583,000) 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>	2021 <i>HK\$'000</i>
Trade receivables	24,358	11,550
Less: allowance for trade receivables	<u>(139)</u>	<u>(133)</u>
	24,219	11,417
Prepayments and deposits	132,778	157,589
Less: allowance for prepayments and deposits	<u>(6,781)</u>	<u>(4,497)</u>
	125,997	153,092
Other receivables	<u>9,420</u>	<u>8,869</u>
	<u><u>159,636</u></u>	<u><u>173,378</u></u>

Included in prepayments and deposit are mainly advances to suppliers for purchases of goods amounting to HK\$125,997,000 net of impairment provision of HK\$6,781,000 (2021: HK\$149,908,000 net of impairment provision of 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>	2021 <i>HK\$'000</i>
At beginning of the reporting period	133	90
Allowance for the year	–	34
Exchange adjustments	<u>6</u>	<u>9</u>
	139	133
At the end of the reporting period	<u><u>139</u></u>	<u><u>133</u></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:

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

## 12. TRADE AND OTHER PAYABLES

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	5,009	11,003
Accruals and other payables ( <i>note</i> )	<b>29,881</b>	15,132
	<u>34,890</u>	<u>26,135</u>

*Note:*

The amounts included provision for litigation of RMB5,000,000 (equivalent to approximately HK\$6,165,000) in relation to a legal claim brought against the Group by an intermediary for trading of healthcare products. The provision is made based on a PRC court's decision. The Group is currently seeking legal advice for a further appeal on the claim.

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

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

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>	<b>Number of shares</b> '000	<i>HK\$'000</i>
Authorised:			
Ordinary shares of HK\$0.01 each at 1 April 2020		50,000,000	500,000
Share consolidation ( <i>note b</i> )	<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 2020		5,354,285	53,543
Issue of shares on placement ( <i>note a</i> )	<i>(a)</i>	1,070,840	10,708
Share consolidation ( <i>note b</i> )	<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>

*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.

### 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

#### Revenue

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\$37.32 million (year ended 31 March 2021: approximately HK\$2.35 million), representing an increase of approximately HK\$34.97 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 Group 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 consultancy services this year.

Basic and diluted loss per share for the year ended 31 March 2022 was approximately HK2.68 cents (year ended 31 March 2021: approximately HK0.38 cents), representing an increase in loss of approximately HK\$2.30 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 five years.

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 allows the Group to organize and perform core technologies research and exploitations, as well as provide healthcare services to the clients nationwide.

\* For identification purpose only

The Group owns one medical and healthcare service and product sales centre in Yangzhou, with a business operation license of medical devices, which allows the Group to organize and perform the operation, sales and import and export of special medical products, as well as provide healthcare services to customers across the country and around the world.

Due to the frequent occurrence of regional COVID-19 pandemic, the Group's genetic testing business and export business were restricted, and the Group is committed to developing domestic healthcare equipment service business. Taking advantage of its own advantages, the Group integrates health data analysis software and healthcare equipment to provide new healthcare services and products business, which has been recognized by the industry.

Due to the 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.

Looking forward, the Group continues to enlarge and diversify the types of its genetic testing and health data analysis products and novative medical technology products, make efforts to extend the healthcare product supply. Meanwhile, in the coming year, the Group will actively expand international business and improve its healthcare products and services business in Hong Kong and overseas, 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 loss of HK\$2.35 million (year ended 31 March 2021: segment profit of HK\$7.74 million), representing a decrease of approximately HK\$10.09 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 interest 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 75.40% 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 provided full impairment of approximately HK\$9.10 million for interest in Manrui Biotech for the year ended 31 March 2022.

## **Impairment of prepayment on consultancy services**

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 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.

The Group will carry out new energy vehicles conversion in the future to initiate basic public health examination program for the elderly, which has been included in the construction of national basic public health services sponsored by the government.

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.

\* *For identification purpose only*

## **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.

## **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 2022.

### **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 2022, 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 2022, 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*

- (a) 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.

Manrui Biotech’s genetic testing and related technologies had not generated any income in its financial statements since the Group’s acquisition, nor contributed to the Group’s revenue during the year ended 31 March 2022 and 2021. The Group has fully impaired the investment in Manrui Biotech during the year.

We were unable to obtain the financial information to support the basis and assumptions adopted in the valuation of the purchase price allocation of the associate, as well as in the valuation in the subsequent year end dates which were used for impairment assessment of the Group’s interests in Manrui Biotech. Such basis and assumptions included the forecast of Manrui Biotech, the growth rates and the discount rates adopted in the valuation. As such, the value of the genetic testing technologies cannot be reliably determined.

As a result, 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 as at 31 March 2021; (iii) whether the share of loss of interest in that associate of approximately HK\$5,936,000 and HK\$5,992,000 were properly recorded for the years ended 31 March 2022 and 2021, respectively; (iv) whether the share of foreign currency translation reserve of that associate of approximately HK\$25,000 (Debit) and HK\$2,617,000 (Credit) were properly recorded for the years ended 31 March 2022 and 2021, respectively; (v) whether the balance of translation reserve of that associate of HK\$2,163,000 (Credit) and HK\$2,188,000 (Credit) were properly recorded as at 31 March 2022 and 2021, respectively; (vi) whether the impairment for interest in that associate of HK\$9,101,000 and HK\$3,180,000 for the year ended 31 March 2022 and 2021 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 18 to the consolidated financial statements.



- (b) During the year ended 31 March 2022, the Group invested RMB30,000,000 (equivalent to approximately HK\$36,990,000) and RMB25,000,000 (equivalent to approximately HK\$30,824,000) in two associates, namely 億雲力蓮合(北京)健康管理有限公司 and 山東蓮合耀奇醫療器械有限公司, respectively. The Group holds 25% equity interests in each of these two associates. These two associates engaged in healthcare services in the People's Republic of China (the "PRC"). We were unable to perform audit works on the financial statements of the two associates, specifically arrangement of bank confirmations to confirm the material bank balances of the associates as at 31 March 2022.

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to the valuation of the Group's interests in the above two associates of approximately HK\$67,814,000 as at 31 March 2022.

## **2. Trade and other receivables**

### *(a) Prepayments for consultancy services*

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 consultants' services included, but not limited to, providing reports and advisory services to assist the Company in expanding the healthcare market and introducing business and financing opportunities to the Group. The purpose of the grant of share options is to provide consultants an incentive to expand the Group's business.

We have not yet obtained sufficient and appropriate audit evidence to ascertain the economic benefits from the consultants' works/services in accordance with the original plan. During the year ended 31 March 2022, the Group had not received any services from the consultants and decided to cancel the remaining services period and requested the consultants to give up their rights on the share options. The Group has fully impaired the prepayments of approximately HK\$11,694,000 during the year ended 31 March 2022.

We were unable to obtain information to support the values of the proposed services that would be carried out by the consultants at the time of granting the share options. In the subsequent years after granting of the share options and up to 31 March 2022, we were unable to obtain sufficient and appropriate audit evidence to support the services provided by the consultants. Such evidence included the revenue/income/assets brought by the consultants to the Group and proof of such services performed. As a result, we were unable to quantify the value of the services performed by the consultants, which formed the basis for calculation of the amortisation of prepayment. As such, 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 as at 31 March 2021; (ii) whether the amortisation of prepayment included in administrative and other expenses of approximately HK\$2,095,000 and HK\$2,095,000 was properly recorded for the years ended 31 March 2022 and 2021,

respectively; and (iii) whether the impairment on prepayments of approximately HK\$11,694,000 was properly recorded and whether this expense should be recorded in current or prior years.

*(b) Prepayments for healthcare supplies*

The Group recorded prepayments for purchases of HK\$89,620,000 to certain materials suppliers as at 31 March 2022, including payments of RMB22,685,000 (equivalent to approximately HK\$27,971,000) and payments of RMB50,000,000 (equivalent to approximately HK\$61,649,000) for purchases of healthcare materials and equipment.

Up to 31 March 2022, the Group has not yet received the healthcare materials and equipment from the suppliers. In July 2022, the Group has entered into cancellation agreements with the suppliers to cancel the purchases and requested for full refund of the amounts prepaid. The amounts were fully refunded subsequent to the end of the reporting period. We were unable to obtain sufficient and appropriate audit evidence about the details of the suppliers and the reasons for the cancellation.

In respect of the abovementioned transactions, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanations to ascertain the nature of the prepayment of approximately HK\$89,620,000 as at 31 March 2022.

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

The equity investment at fair value through other comprehensive income relates to Beijing Life Healthcare Zhongcheng Medical Technologies Co., Ltd (北京蓮和眾成醫療科技有限公司) (the “Investee”), with principal activities of research and development of medical technology innovations of genomics, cell therapy and their application in the field of human health and precision medicine. As at 26 June 2020, the Group has entered into a joint venture agreement pursuant to which the Group has contributed RMB30,000,000 in the Investee, represented 15% of its share capital.

During the years ended 31 March 2022 and 2021, we have not obtained sufficient financial information of the Investee, which form the basis for assessing the underlying assumptions and calculation of the fair value of the Investee.

We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to (i) the fair value of equity investment at fair value through other comprehensive income of approximately HK\$36,990,000 and HK\$38,037,000 as at 31 March 2022 and 2021, respectively; (ii) whether the fair value change on equity investment at fair value through other comprehensive income of approximately HK\$2,603,000 (loss) and HK\$2,460,000 (gain) was properly recorded for the years ended 31 March 2022 and 2021, respectively; and (iii) whether the revaluation reserve of approximately HK\$143,000 and HK\$2,460,000 were properly recorded as at 31 March 2022 and 2021, respectively.

## The Company and the Audit Committee's View on the Qualified Opinion of the Independent Auditor's Report

### 1. Interest in associates

- (a) The Company has discussed with the auditor that as full impairment has been made on investment in Manrui Biotech, an associate of the Company, this year. Technically, the auditors will qualify the profit and loss figures of Manrui Biotech for the year ended 31 March 2022 to be presented under the comparative column of the Group's profit and loss account for the year ended 31 March 2023. There will not be any qualification in respect of Manrui Biotech after the year ended 31 March 2023.

The Audit Committee concurs to the treatment on Manrui Biotech.

- (b) The Group has received refund of all its investment cost of RMB30,000,000 (equivalent to approximately HK\$36,990,000) in 億雲力蓮合(北京)健康管理有限公司(“億雲力蓮合”), an associate of the Company, subsequent to the year end date. Pursuant to a resolution of shareholders of 億雲力蓮合, it was unanimously passed by all shareholders to temporarily return the investment costs to its shareholders because the intended business plan of 億雲力蓮合 to develop the internet platform and customer sales could not be implemented according to the planned timeline as a result of the outbreak and widespread infection of COVID-19 pandemic in Shanghai. The present status of 億雲力蓮合 comes to a standstill. Therefore, the auditor was unable to obtain sufficient appropriate audit evidence of 億雲力蓮合.

The Company has discussed with the auditor that as all the Group's investment cost in 億雲力蓮合 has been refunded to the Group. If the associate resumes business and the Company provides the necessary financial information of the associate for future audits, other than the opening balance, there will not be any qualification on 億雲力蓮合 for the year ended 31 March 2023.

Similarly, the Group has received refund of all its investment cost of RMB25,000,000 (equivalent to approximately HK\$30,824,000) in 山東蓮合耀奇醫療器械有限公司(“山東蓮合”), an associate of the Company, subsequent to the year end date. Pursuant to a resolution of shareholders of 山東蓮合, it was unanimously passed by all shareholders to temporarily return the investment costs to its shareholders because the intended business plan of 山東蓮合 to acquire and develop land and instal production equipment could not be implemented according to the planned timeline as a result of the various and different restriction policy on COVID-19 pandemic in PRC. The present status of 山東蓮合 comes to a standstill. Therefore, the auditor was unable to obtain sufficient appropriate audit evidence of 山東蓮合.

The Company has discussed with the auditor that as all the Group's investment cost in 山東蓮合 has been refunded to the Group. If the associate resumes business and the Company provides the necessary financial information of the associate for future audits, other than the opening balance, there will not be any qualification on 山東蓮合 for the year ended 31 March 2023.

The Audit Committee concurs to the treatments on investment in 億雲力蓮合 and 山東蓮合.

## **2. Trade and other receivables**

### *(a) Prepayment for consultancy services*

The Company has discussed with the auditor that as full impairment has been made on prepayment for consultants' services this year. Technically, the auditor will qualify the profit and loss figures of prepayment for consultants' services for the year ended 31 March 2022 to be presented under the comparative column of the Group's profit and loss account for the year ended 31 March 2023. There will not be any qualification in respect of prepayment for consultants' services after the year ended 31 March 2023.

The Audit Committee concurs to the treatment on prepayment for consultants' services.

### *(b) Prepayments for healthcare supplies*

Owing to the outbreak and prolonged proliferation of COVID-19 pandemic in PRC, the suppliers could not order the healthcare materials and equipment overseas to be imported to PRC according to the contracts signed with the Group. Therefore, the underlying contracts for the prepayment could not be fulfilled. Thus, the Group entered into cancellation agreement with the suppliers to cancel the contracts. According to the cancellation agreement, the suppliers agreed to refund the prepayment amount to the Group.

The Company has discussed with the auditor that as the Group received refund of prepayment amount for purchase of healthcare materials and equipment in full, technically, the auditors will qualify the opening balance of the prepayment for the year ended 31 March 2022 to be presented under the comparative column of the Group's statement of financial position for the year ended 31 March 2023. There will not be any qualification in respect of the prepayment for healthcare supplies after the year ended 31 March 2023.

The Audit Committee concurs to the treatment on prepayments for healthcare supplies.

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

The Group has received the consideration (the “**Consideration**”) of RMB30,000,000 (equivalent to approximately HK\$36,990,000) on disposal of its 15% equity interest in Beijing Life Healthcare Zhongcheng Medical Technologies Co., Ltd (北京蓮和眾成醫療科技有限公司) (the “**Investee**”) as at the date of this announcement.

The Company has discussed with the auditor that as the Group received the Consideration technically, the auditor will qualify the opening balance and the profit and loss figures of the Investee for the year ended 31 March 2022 to be presented under the comparative column of the Group’s profit and loss account for the year ended 31 March 2023. There will not be any qualification in respect of the Investee after the year ended 31 March 2023.

The auditor was unable to obtain sufficient appropriate audit evidence on the Investee for the two years ended 31 March 2022 and 2021 because the Investee failed to provide the relevant financial information to the auditor timely. The Group, being a 15% shareholder of the Investee, had been using its best endeavour to follow up on urging the Investee to provide its financial information to the auditor timely but its effort was fruitless.

The Audit Committee concurs to the treatment on the Investee.

### **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\$157.67 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 consideration was fully received by the Group as at the date of this announcement. The Company intends to apply the proceeds from the disposal for enrichment of general working capital for operation and existing business of the Group.

Following completion of the disposal, the Company ceases 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.\*).

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 annual results for the year ended 31 March 2022 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 2022 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 2022. The work performed by ZHONGHUI in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 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 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.

## **PUBLICATION OF FINANCIAL INFORMATION**

This results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.lifehealthcare.com](http://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.

## **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**  
**Pang Zhen**  
*Executive Director*

Hong Kong, 31 August 2022

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

*Executive Directors:*

Mr. Yuan Limin (*Chief Executive Officer*)  
Mr. Pang Zhen  
Mr. Man Wai Lun  
Mr. Huang Zhifang

*Independent Non-Executive Directors:*

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