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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 2018**

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 2018 together with comparative figures for the year ended 31 March 2017 as follows:

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

*For the year ended 31 March 2018*

|   | <i>Notes</i> | <b>2018</b><br><i>HK\$'000</i> | <b>2017</b><br><i>HK\$'000</i><br>(Restated) |
|---|--------------|--------------------------------|--|
| <b>Continuing operation</b>                 |              |                                |  |
| Turnover                                    | 3&5          | <b>62,790</b>                  | 26,875                                       |
| Cost of sales and services                  |              | <b>(29,311)</b>                | (18,833)                                     |
| Gross profit                                |              | <b>33,479</b>                  | 8,042  |
| Other income and gains                      | 4            | <b>1,150</b>                   | 1,296  |
| Selling and distribution expenses           |              | <b>(46,782)</b>                | (6,385)                                      |
| Share of result of associates               | 11           | <b>(10,587)</b>                | (5,691)                                      |
| Administrative and other expenses           |              | <b>(70,707)</b>                | (32,263)                                     |
| Operating loss                              |              | <b>(93,447)</b>                | (35,001)                                     |
| Finance costs                               | 6            | <b>–</b>                       | (206)  |
| Loss before taxation                        | 7            | <b>(93,447)</b>                | (35,207)                                     |
| Income tax                                  | 8            | <b>(238)</b>                   | (181)  |
| Loss for the year from continuing operation |              | <b>(93,685)</b>                | (35,388)                                     |

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

*For the year ended 31 March 2018*

|  | <i>Notes</i> | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Discontinued operation</b>  |              |                                |                         |
| Loss for the year from discontinued operation  |              | <u>(3,717)</u>                 | <u>(3,946)</u>          |
| Loss for the year  |              | <u><u>(97,402)</u></u>         | <u><u>(39,334)</u></u>  |
| Loss attributable to equity holders of the Company   |              |                                |                         |
| — from continuing operation  |              | <u>(90,525)</u>                | <u>(33,728)</u>         |
| — from discontinued operation  |              | <u>(3,717)</u>                 | <u>(3,946)</u>          |
|  |              | <u><u>(94,242)</u></u>         | <u><u>(37,674)</u></u>  |
| Loss attributable to non-controlling interests   |              |                                |                         |
| — from continuing operation  |              | <u>(3,160)</u>                 | <u>(1,660)</u>          |
| — from discontinued operation  |              | <u>—</u>                       | <u>—</u>                |
|  |              | <u><u>(3,160)</u></u>          | <u><u>(1,660)</u></u>   |
| Loss for the year  |              | <u><u>(97,402)</u></u>         | <u><u>(39,334)</u></u>  |
| <b>LOSS PER SHARE — BASIC AND DILUTED</b>  |              |                                |                         |
| From continuing and discontinued operations ( <i>HK cents</i> )                                      | 9            | <u><u>1.87</u></u>             | <u><u>1.30</u></u>      |
| From continued operation ( <i>HK cents</i> )   | 9            | <u><u>1.79</u></u>             | <u><u>1.16</u></u>      |
| Loss for the year  |              | <u><u>(97,402)</u></u>         | <u><u>(39,334)</u></u>  |
| <b>Other comprehensive income (expense) that may be reclassified subsequently to profit or loss:</b> |              |                                |                         |
| Exchange differences on translation  |              | <u>7,015</u>                   | <u>(3,553)</u>          |
| Share of foreign currency translation reserve of an associate  |              | <u>5,844</u>                   | <u>(2,068)</u>          |
| Fair value gain on available-for-sale investment   |              | <u>862</u>                     | <u>—</u>                |
|  |              | <u><u>13,721</u></u>           | <u><u>(5,621)</u></u>   |
| Total comprehensive expense for the year   |              | <u><u>(83,681)</u></u>         | <u><u>(44,955)</u></u>  |
| Total comprehensive expense for the year attributable to:  |              |                                |                         |
| Owners of the Company  |              | <u>(80,394)</u>                | <u>(43,264)</u>         |
| Non-controlling interest   |              | <u>(3,287)</u>                 | <u>(1,691)</u>          |
|  |              | <u><u>(83,681)</u></u>         | <u><u>(44,955)</u></u>  |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

|   | Notes | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>   |       |                  |                  |
| Property, plant and equipment                                     |       | 22,822           | 16,219           |
| Intangible assets   |       | 6,444            | –                |
| Interest in associates  | 11    | 67,626           | 57,370           |
| Prepayment  | 12    | 17,979           | –                |
|   |       | <u>114,871</u>   | <u>73,589</u>    |
| <b>Current assets</b>   |       |                  |                  |
| Inventories   |       | 7,264            | 3,676            |
| Loan receivables  | 13    | 190,655          | 86,000           |
| Loan interest receivables   | 13    | 8,353            | 4,072            |
| Available-for-sale investment                                     | 14    | 20,862           | –                |
| Trade and other receivables                                       | 15    | 17,860           | 13,827           |
| Bank balances and cash  |       | 29,635           | 209,764          |
|   |       | <u>274,629</u>   | <u>317,339</u>   |
| Assets directly associated with disposal group held for sale      |       | 30,923           | –                |
|   |       | <u>305,552</u>   | <u>317,339</u>   |
| <b>Current liabilities</b>  |       |                  |                  |
| Trade and other payables  | 16    | 22,247           | 15,789           |
| Tax payable   |       | 278              | 64               |
|   |       | <u>22,525</u>    | <u>15,853</u>    |
| Liabilities directly associated with disposal group held for sale |       | 57               | –                |
|   |       | <u>22,582</u>    | <u>15,853</u>    |
| <b>Net current assets</b>   |       | <u>282,970</u>   | <u>301,486</u>   |
| <b>Net assets</b>   |       | <u>397,841</u>   | <u>375,075</u>   |
| <b>Capital and reserves</b>                                       |       |                  |                  |
| Share capital   | 17    | 52,586           | 47,806           |
| Reserves  |       | 346,221          | 326,874          |
| <b>Total equity attributable to:</b>                              |       |                  |                  |
| Owners of the Company   |       | 398,807          | 374,680          |
| Non-controlling interests   |       | (966)            | 395              |
| <b>Total equity</b>   |       | <u>397,841</u>   | <u>375,075</u>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 1. GENERAL

Life Healthcare Group Limited (the “**Company**”) is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law of the Cayman Islands on 12 March 2001 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as of 29 April 2002. The address of the registered office of the Company is Offshore Incorporations (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company in Hong Kong is Unit 3, 10/F., Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in healthcare services business, money lending business and securities trading and investments.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are 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 HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRS(s)**”)

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”), amendments and Interpretations (“**Int(s)**”), issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

|                       |  |
|-----------------------|--|
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2014–2016 Cycle:<br>Amendments to HKFRS 12 |
| Amendments to HKAS 7  | Disclosure Initiative  |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses                 |

The application of new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 3. TURNOVER

Turnover represents the aggregate of the invoiced value of goods sold and services provided. It is stated after deducting trade discounts and sales taxes. Details of the turnover are set out below:

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| Income from healthcare services business    | 47,615                  | 19,378                                |
| Income from money lending business          | 15,175                  | 7,019                                 |
| Sales of goods from apparel retail business | –                       | 478                                   |
|   | <u>62,790</u>           | <u>26,875</u>                         |

### 4. OTHER INCOME AND GAINS

|                          | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|--------------------------|-------------------------|---------------------------------------|
| Bank interest income     | 61                      | 32                                    |
| PRC loan interest income | 941                     | 417                                   |
| Others                   | 148                     | 847                                   |
|                          | <u>1,150</u>            | <u>1,296</u>                          |

### 5. SEGMENT INFORMATION

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

The Group is engaged into the following four major operating segments for its operations, each of which represents an operating and reportable segment of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Healthcare services business
2. Money lending business
3. Apparel retail business
4. Securities trading and investments business

The operation of education software products and related services business was discontinued during the year ended 31 March 2018 as a result of a share transfer agreement entered into by a wholly-owned subsidiary of the Company to dispose of the entire equity interests in China Education Media Limited ("China Education") and its subsidiary on 15 December 2017. The segment information reported on the next pages does not include any amounts for this discontinued operation.

### Segment revenues and results

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

For the year ended 31 March 2018

|                               | <b>Healthcare<br/>services<br/>business<br/>HK\$'000</b> | <b>Money<br/>lending<br/>business<br/>HK\$'000</b> | <b>Apparel<br/>retail<br/>business<br/>HK\$'000</b> | <b>Securities<br/>trading and<br/>investments<br/>business<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|-------------------------------|--|--|---|---|---------------------------|
| Turnover                      |  |  |   |   |                           |
| External sales                | <u>47,615</u>  | <u>15,175</u>                                      | <u>-</u>  | <u>-</u>  | <u>62,790</u>             |
| Segment (loss) profit         | <u>(76,080)</u>  | <u>4,188</u>                                       | <u>(1,326)</u>                                      | <u>(81)</u>   | <u>(73,299)</u>           |
| Unallocated income            |  |  |   |   | 1,150                     |
| Unallocated expenses          |  |  |   |   | (10,711)                  |
| Share of result of associates |  |  |   |   | <u>(10,587)</u>           |
| Loss before taxation          |  |  |   |   | <u>(93,447)</u>           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

For the year ended 31 March 2017

|                                 | Healthcare<br>services<br>business<br><i>HK\$'000</i> | Money<br>lending<br>business<br><i>HK\$'000</i> | Apparel<br>retail<br>business<br><i>HK\$'000</i> | Securities<br>trading and<br>investments<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------|---|---|--|---|--------------------------|
| Turnover                        |   |   |  |   |                          |
| External sales                  | <u>19,378</u>   | <u>7,019</u>                                    | <u>478</u>                                       | <u>–</u>  | <u>26,875</u>            |
| Segment (loss) profit           | <u>(16,916)</u>                                       | <u>4,845</u>                                    | <u>(1,847)</u>                                   | <u>(10)</u>   | (13,928)                 |
| Unallocated income              |   |   |  |   | 450                      |
| Unallocated expenses            |   |   |  |   | (15,832)                 |
| Share of result of an associate |   |   |  |   | (5,691)                  |
| Finance costs                   |   |   |  |   | <u>(206)</u>             |
| Loss before taxation            |   |   |  |   | <u>(35,207)</u>          |

Segment (loss) profit represents the (loss) profit earned by each segment without allocation of certain other income and central administration costs. This is the measure reporting to the Group's CODM for the purposes of resource allocation and performance assessment.

### Geographical information

The Group's operations are located in PRC and Hong Kong.

Information about the Group's turnover from external customers from its operations is presented based on the location at which the goods or services are delivered or provided:

|           | Revenues from<br>external customers from<br>its operations |                                       |
|-----------|--|---------------------------------------|
|           | 2018<br><i>HK\$'000</i>                                    | 2017<br><i>HK\$'000</i><br>(Restated) |
| PRC       | <u>47,615</u>  | 19,856                                |
| Hong Kong | <u>15,175</u>  | <u>7,019</u>                          |
|           | <u>62,790</u>  | <u>26,875</u>                         |

### Information about major customers

During the year ended 31 March 2018 and 2017, none of the Group's individual customer contributed more than 10% of the total turnover of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 6. FINANCE COSTS

|                         | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|-------------------------|-------------------------|---------------------------------------|
| Interest on other loans | —                       | 206                                   |

### 7. LOSS BEFORE TAXATION

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|--|-------------------------|---------------------------------------|
| Loss before taxation has been arrived at after charging: |                         |                                       |
| Staff costs  |                         |                                       |
| Directors' emoluments                                    |                         |                                       |
| — fees and other emoluments                              | 11,014                  | 6,017                                 |
| Other staff costs  |                         |                                       |
| — salaries, allowance and bonus                          | 48,069                  | 10,562                                |
| — retirement benefits scheme contributions               | 11,752                  | 1,318                                 |
|  | 70,835                  | 17,897                                |
| Cost of inventories recognised as expenses               | 13,274                  | 16,659                                |
| Depreciation of property, plant and equipment            | 6,324                   | 2,048                                 |
| Auditor's remuneration                                   | 1,668                   | 1,392                                 |
| Loss on disposal of property, plant and equipment        | 139                     | 324                                   |
| Exchange loss, net                                       | —                       | 676                                   |
| Research and development costs recognised as an expense  | 1,763                   | 111                                   |
| Operating lease rental on premises                       | 5,325                   | 3,509                                 |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 8. INCOME TAX

|                                     | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|-------------------------------------|-------------------------|---------------------------------------|
| Current tax:                        |                         |                                       |
| — Hong Kong Profits Tax             | 266                     | 12                                    |
| — PRC Enterprise income tax (“EIT”) | —                       | 169                                   |
|                                     | <u>266</u>              | <u>181</u>                            |
| Overprovision of EIT in prior years | (28)                    | —                                     |
|                                     | <u>238</u>              | <u>181</u>                            |
| Income tax expense                  | <u>238</u>              | <u>181</u>                            |

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI for the years ended 31 March 2018 and 2017.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. For the years ended 31 March 2018 and 2017, income tax represent PRC Enterprise Income Tax provided based on the assessable profit of PRC subsidiaries.

### 9. LOSS PER SHARE

#### For continuing and discontinued operations

|   | 2018<br><i>HK\$'000</i>    | 2017<br><i>HK\$'000</i><br>(Restated) |
|---|----------------------------|---------------------------------------|
| Loss for the purpose of basic and diluted loss per share —<br>loss for the year attributable to owners of the Company | <u>94,242</u>              | <u>37,674</u>                         |
|   | <u>2018</u><br><u>'000</u> | <u>2017</u><br><u>'000</u>            |
| Weighted average number of ordinary shares for the purpose of<br>basic and diluted loss per share                     | <u>5,051,710</u>           | <u>2,906,184</u>                      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### From continuing operations

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| Loss for the year attributable to owners of the Company   | 94,242                  | 37,674                                |
| Less: loss for the year from discontinued operation   | <u>(3,717)</u>          | <u>(3,946)</u>                        |
| Loss for the year attributable to equity holders of the Company<br>from continuing operation for the purpose of basic and<br>diluted loss per share | <u>90,525</u>           | <u>33,728</u>                         |

For the year ended 31 March 2017, the weighted average number of shares for the purpose of basic and diluted loss per share has been adjusted for rights issue on 8 March 2017.

For the year ended 31 March 2018, the computation of diluted loss per share does not assume the conversion of the share options since their exercise would result in a decrease in loss per share.

### From discontinued operation

Basic and diluted loss per share from the discontinued operation is HK\$0.07 cents (2017: basic and diluted loss per share of HK\$0.14 cents), based on the loss for the year attributable to equity holders of the Company from the discontinued operation of approximately HK\$3,717,000 (2017: loss of approximately HK\$3,946,000) and the denominators detailed above for both basic and diluted loss per share.

## 10. DIVIDEND

No dividends were paid, declared or proposed during both years, nor has any dividend been proposed since the end of the reporting period.

## 11. INTEREST IN ASSOCIATES

|  | 2018<br><i>HK\$'000</i>        | 2017<br><i>HK\$'000</i>   |
|--|--------------------------------|---------------------------|
| Cost of investment in associates                               | 70,128                         | 65,129                    |
| Share of post-acquisition loss and other comprehensive expense | <u>(12,502)</u>                | <u>(7,759)</u>            |
| Loan to an associate   | <u>57,626</u><br><u>10,000</u> | <u>57,370</u><br><u>–</u> |
|  | <u>67,626</u>                  | <u>57,370</u>             |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 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\$873,000 for the year ended 31 March 2018 in relation to such share options granted. The remaining value of the options of approximately HK\$20,074,000 was carried as a prepayment as at 31 March 2018 to be charged to profit or loss over the service period of the consultants with approximately HK\$17,979,000 included in non-current assets and HK\$2,095,000 included in current assets.

### 13. LOAN RECEIVABLES AND LOAN INTEREST RECEIVABLES

#### Loan receivables

|                          | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Secured loan receivables | <u>190,655</u>   | <u>86,000</u>    |

At 31 March 2018, loans to third parties with an aggregate principal amounting to HK\$190,655,000 (2017: HK\$86,000,000) are secured, bear interest ranging from 9% to 18% (2017: 9% to 19%) 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 respect loan agreement.

As at 31 March 2018, loan receivables amounting to HK\$190,655,000 (2017: HK\$86,000,000) together with interest receivables from the same third parties of approximately HK\$8,353,000 (2017: HK\$4,072,000) were guaranteed by independent third parties and secured by the corresponding borrowers' equity interest.

During the year ended 31 March 2018, 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:

|                | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|----------------|------------------|------------------|
| 91 to 180 days | 163,000          | 66,000           |
| Over 180 days  | <u>27,655</u>    | <u>20,000</u>    |
|                | <u>190,655</u>   | <u>86,000</u>    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### Loan interest receivables

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

|                | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| 91 to 180 days | 6,832                   | 3,618                   |
| Over 180 days  | 1,521                   | 454                     |
|                | <u>8,353</u>            | <u>4,072</u>            |

### 14. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

|                                    | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Unlisted investment                |                         |                         |
| — Unlisted private fund in the PRC | <u>20,862</u>           | <u>—</u>                |

The unlisted private fund represented a fund managed by a private fund manager registered and approved by the Asset Management Association of China and is measured at fair value. Please refer to the Company's announcement dated 4 May 2017 for further details of the fund.

### 15. TRADE AND OTHER RECEIVABLES

|                          | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Trade receivables        | 1,227                   | 537                     |
| Prepayments and deposits | 13,871                  | 8,091                   |
| Other receivables        | 2,762                   | 5,199                   |
|                          | <u>17,860</u>           | <u>13,827</u>           |

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

|                 | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within 90 days  | 1,193                   | 147                     |
| 91 to 180 days  | 34                      | —                       |
| 181 to 365 days | —                       | 390                     |
|                 | <u>1,227</u>            | <u>537</u>              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 16. TRADE AND OTHER PAYABLES

|                             | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Trade payables              | 3,642                   | 2,345                   |
| Deposit received            | 4,115                   | 8,422                   |
| Accruals and other payables | 14,490                  | 5,022                   |
|                             | <u>22,247</u>           | <u>15,789</u>           |

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

|                | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 90 days | 3,461                   | 1,131                   |
| 91 to 180 days | 181                     | 1,214                   |
|                | <u>3,642</u>            | <u>2,345</u>            |

### 17. SHARE CAPITAL

|   | Number of<br>shares  | Nominal value<br><i>HK\$'000</i> |
|---|----------------------|----------------------------------|
| Authorised:   |                      |                                  |
| Ordinary shares of HK\$0.01 each on 31 March 2017 and 2018            | 50,000,000,000       | 500,000                          |
| Issued and fully paid:  |                      |                                  |
| Ordinary shares of HK\$0.01 each on 1 April 2016                      | 2,144,421,760        | 21,444                           |
| Issue of shares for acquisition of an associate ( <i>Note a</i> )     | 245,890,890          | 2,459                            |
| Issue of shares under rights issue ( <i>Note b</i> )                  | 2,390,312,650        | 23,903                           |
| Ordinary shares of HK\$0.01 each on 31 March 2017 and<br>1 April 2017 | 4,780,625,300        | 47,806                           |
| Issue of shares on placing ( <i>Note c</i> )                          | 478,000,000          | 4,780                            |
| Ordinary shares of HK\$0.01 each on 31 March 2018                     | <u>5,258,625,300</u> | <u>52,586</u>                    |

All of the shares issued by the Company during the year rank pari passu in all respects with other shares in issue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

Notes:

- (a) On 8 August 2016, the Company issued share capital for acquisition of 30% equity interest in Manrui Biotech.
- (b) Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting on 7 February 2017, the Company announced a rights issue (“**Rights Issue**”) of 2,390,312,650 rights shares (“**Rights Shares**”) of HK\$0.01 each at a subscription price of HK\$0.126 per Rights Share on the basis of one Rights Share for every one share held. The Rights Issue was completed on 8 March 2017, the Company allotted and issued 2,390,312,650 Rights Shares. Accordingly, the Company increased its issued share capital by nominal value of approximately HK\$23,903,000 with net proceeds of approximately HK\$291,656,000.
- (c) On 6 September 2017, the Company completed a placing of 478,000,000 placing shares at a placing price of HK\$0.18 per share, with issuing expenses of approximately HK\$2,466,000. Please refer to the announcement of the Company dated 6 September 2017 for further details.

### 18. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following capital commitment:

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Contracted for but not provided for in the consolidated financial statements in respect of: |                         |                         |
| — property, plant and equipment   | —                       | 3,329                   |

### 19. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Group has no pledge of assets and contingent liabilities as at 31 March 2018 and 2017.

### 20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2018 on 8 June 2018, the consideration for the disposal of China Education was received in full and the disposal of China Education was completed. A loss on disposal of HK\$366,000 was recognised upon the disposal.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 31 March 2018, the Group recorded a turnover of approximately HK\$62.79 million (year ended 31 March 2017: approximately HK\$26.88 million), representing an increase of approximately 133.59% as compared to the corresponding period last year. Such increase in turnover was primarily attributable to the revenue of HK\$47.62 million generated from the healthcare services segment.

For the year ended 31 March 2018, the Group recorded gross profit of approximately HK\$33.48 million (year ended 31 March 2017: approximately HK\$8.04 million), representing an increase of approximately 316.42% as compared to the corresponding period last year. The Group's overall gross profit margin was 53.32% (year ended 31 March 2017: 29.91%). During the year ended 31 March 2018 and 2017, the Group's overall gross profit was primarily attributable to the healthcare services and money lending segments.

The loss for the year ended 31 March 2018 was approximately HK\$97.40 million (year ended 31 March 2017: approximately HK\$39.33 million), representing an increase of approximately 147.65% as compared to the corresponding period last year. The increase in loss before taxation was mainly attributable to (i) the increase in selling, distribution costs and administrative expenses as a result of the increase in marketing and promotion expenses in the early stage of the development of healthcare services business; (ii) the increase in the share of loss from associates including the share of amortisation of intangible assets of approximately HK\$5.72 million, partially offset by the increase in gross profit generated from the Group's healthcare services business and money lending business.

Basic and diluted loss per share for the year ended 31 March 2018 from continuing and discontinued operation was approximately HK\$1.87 cents (year ended 31 March 2017: approximately HK\$1.30 cents), representing an increase in loss of approximately 43.85% as compared to the corresponding period last year.

## **BUSINESS REVIEW**

### **Healthcare services business**

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

For the year ended 31 March 2018, The Group has successfully obtained Practice License of Medical Institution\* (醫療機構執業許可證) for its Hangzhou Life Healthcare Clinical Laboratory Limited\* (杭州蓮和醫學檢驗所有限公司) and Guangzhou Life Healthcare Clinical Laboratory Limited\* (廣州蓮和醫學檢驗實驗室有限公司). Besides, in May 2017, the Group acquired 70% equity interest in Tianjin Lianhe Clinical Laboratory Limited\* (天津蓮和醫學檢驗所有限公司), which had already owned the Practice License of Medical Institution. So far, the Group owns one research and development centre and three producing and testing centres in China. At the end of 2017, the Group's healthcare services market has covered the major cities in Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, as well as the cities in the Northwest China. Beijing Life Healthcare Clinical Laboratory Limited\* (北京蓮和醫學檢驗所有限公司), as the research and development centre of the healthcare business, organises and performs core technologies research and exploitations in the Group. Hangzhou Life Healthcare Clinical Laboratory Limited, Tianjin Lianhe Clinical Laboratory Limited and Guangzhou Life Healthcare Clinical Laboratory Limited focus on productivity and providing genetic testing and health data analysis services for the whole PRC regions. The Group has enhanced its core research capabilities under this structure, and also improved its productivity and provision of services.

For the year ended 31 March 2018, this segment recorded a turnover of HK\$47.62 million (year ended 31 March 2017: HK\$19.38 million) representing the turnover generated by genetic testing and health data analysis services of HK\$37.84 million and technical services to convert health enquiries from public to hospitals of HK\$9.78 million and a loss in segment result of HK\$76.08 million (year ended 31 March 2017: HK\$16.92 million). The increase in segment loss primarily comprises of (i) cost of material and service of HK\$13.32 million, (ii) marketing and promotion expense of HK\$16.50 million, (iii) salary, wages and insurance of HK\$47.03 million, (iv) office rental of HK\$2.03 million, partially offset by increase in gross revenue of HK\$28.24 million.

### **Money lending business**

In order to diversify and strengthen its revenue streams to maximise returns to the Company's shareholders, the directors of the Company (the "**Directors**") have identified money lending business to be an area where the Group can generate regular and long-term sustainable income. The Group has also obtained a money lenders license in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in November 2016 with a view to develop its money lending business.

\* For identification purposes



During the year ended 31 March 2018, interest income from the money lending business was HK\$15.18 million (year ended 31 March 2017: HK\$7.02 million). Gross profit rate is 100% for current year since no cost of finance were required under money lending business. The source of funding is primarily from internal resources of the Group which is a definite advantage for this diversification of business. The segment result covers internal cost allocation from group management and administrative costs. The money lending business provided a stable recurrent revenue to the Group which in turn improved the returns to the Company's shareholders.

### **Education software products and related services business**

During the year ended 31 March 2018, turnover from education software products and related services business was HK\$1.38 million (year ended 31 March 2017: HK\$1.42 million). This segment recorded a loss of HK\$3.72 million during the current year (year ended 31 March 2017: HK\$3.95 million).

On 15 December 2017, the Company announced the disposal of the entire share capital of China Education Media Limited, an indirect wholly-owned subsidiary of the Company, together with the shareholder loans advanced by the Group, to an independent purchaser at an aggregate cash consideration of HK\$30,500,000 (the "**Disposal**"). For details of the Disposal, please refer to the announcement of the Company dated 15 December 2017.

As of the date of this announcement, the Disposal was completed.

### **Apparel retail business**

The apparel retail business generated a loss of approximately HK\$1.33 million during the year ended 31 March 2018 (year ended 31 March 2017: approximately HK\$1.85 million), representing a decrease of approximately 28.11% when compared with the same period in the previous year. The Group resolved to terminate the apparel retail business this year, and the loss in this segment was the maintenance expense during the transitional stage.

### **Securities trading and investments business**

The Group did not engage in any securities trading and investment activity during the years ended 31 March 2018 and 2017, and the Group will reserve this segment as a treasury activity.

### **Available-for-sale investment**

On 4 May 2017, the Company entered into a subscription agreement with Shenzhen City William Financial Holding Limited (the "**Fund Manager**") pursuant to which the Company subscribed for an aggregate amount of HK\$20 million of the units of the William Financial Holding Merger and Acquisition Fund No. 35 (the "**Fund**"). The Fund is a fixed income instrument. Upon receipt of the redemption request of the Company, the Fund Manager shall return the relevant part of the principal investment amount plus the investment return calculated by fixed rate of 4.75% per annum.

The principal purpose for the Company to subscribe for this Fund is to enhance its income for the presently unutilised cash of the Group with an aim to generate additional revenue from idle cash. In addition to providing stable and guaranteed income, this Fund also provides flexibility and allows for redemption at the Company's request. These features enable the Company to generate steady income from its cash surplus while at the same time, maintain the Company's liquidity position.

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

## **PROSPECTS**

### **Healthcare services business**

To make sure the rapid growth of healthcare services, the Group will seek more diversify sales channels to cover more areas in PRC. In the coming year, the Group intends to enlarge and diversify the types of its genetic testing products and upgrade the available products to provide the more comprehensive services to its customers. At the mean time, the Group will focus on improving the Biological information analysis system and Interpretation of clinical medicine system. The aim is to become the fast and accurate provider of a full range of services and solutions for medical and healthcare administration. Moreover, the Group also optimise the cooperation with professionals and hospitals to enlarge the Group's publicity.

To pursue maximised returns to the Company's shareholders, the Group also focuses on improving the production cost rate by close cooperation with its suppliers and the purchase of automation equipment.

### **Money lending business**

Competition in this industry remains intensive. Moreover, compliance with rules and regulations is increasingly demanding. To cope with the market competition, the Group focuses on existing customers and leverages on them and its 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 has set up the procedure to proceed with loan transactions.

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

### **Securities trading and investments business**

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

## **FINAL DIVIDEND**

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2018 (year ended 31 March 2017: 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 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 2018, the Group's net current assets were approximately HK\$282.97 million including cash and cash equivalents of approximately HK\$29.64 million (31 March 2017: net current assets of approximately HK\$301.49 million including cash and cash equivalents of approximately HK\$209.76 million).

## **CAPITAL EXPENDITURE COMMITMENTS**

As of 31 March 2018, the Group had no capital commitments to acquire property, plant and equipment (31 March 2017: HK\$3.33 million).

## **PLEDGE OF ASSETS**

As of 31 March 2018, the Group had not pledged any of its assets.

## **CONTINGENT LIABILITIES**

As of 31 March 2018, the Group had no significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of 31 March 2018, the Group had 217 full-time employees excluding Directors (2017: 111 employees). The increase in number of employees was due to expansion of healthcare services business during the year. 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 Ms. Zhang Xuyang (Chairman of the Audit Committee), Mr. Zhou Jian and Mr. Zheng Chunlei, with the chairman possessing the appropriate professional qualifications and accounting expertise.

The Company's annual results for the year ended 31 March 2018 have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF INDEPENDENT AUDITOR**

The figures in this preliminary announcement in respect of the Group's results for the year ended 31 March 2018 have been reviewed and agreed by the Group's auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING 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 SHINEWING on this 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 2018 except for the placing of 478,000,000 new shares at HK\$0.18 each on 15 August 2017 to raise a net proceeds of approximately HK\$83 million for enhancement of the Group's healthcare business in relation to two applications for In Vitro Diagnostic Reagents Registration related to human genetic testing with China Food and Drug Administration and two potential investments in healthcare industry. For details, please refer to the announcement of the Company dated 15 August 2017.

## **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 2018, except for the following deviations:

- Code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term and subject to re-election. The non-executive Director and independent non-executive Directors were not appointed for specific terms. In accordance with the Article 84 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line 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 2018.

## **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 2018 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**  
**Shan Hua**  
*Executive Director*

Hong Kong, 29 June 2018

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

*Executive Directors:*

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

*Non-executive Director:*

Dr. Feng Xiaogang

*Independent Non-Executive Directors:*

Mr. Liu Xinghua  
Mr. Zhou Jian  
Mr. Zheng Chunlei  
Ms. Zhang Xuyang