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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)

UPDATES ON THE DISPOSAL OF NON-WHOLLY OWNED SUBSIDIARIES DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the Company dated 3 December 2018 in relation to the Disposals.

As at the date of this announcement, the Disposals have not been completed. On 21 January 2019, the parties to the First Agreement and the Second Agreement have, after arm's length negotiation, agreed to novate the rights of the Purchaser under the First Agreement and the Second Agreement to the New Purchaser. Accordingly, the original First Agreement and Second Agreement were terminated and new agreements with substantially the same terms were entered into.

At the time when the First Agreement and the Second Agreement were entered into, the Disposals did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. As one of the percentage ratios as determined in accordance with Rule 14.07 of the Listing Rules at the time when the Amendment Agreements are entered into is more than 5% but less than 25%, the Disposals as contemplated under the Amendment Agreements constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 December 2018 (the “**Announcement**”) in relation to the Disposals.

As at the date of this announcement, the Disposals have not been completed. On 21 January 2019, the parties to the First Agreement and the Second Agreement have, after arm's length negotiation, agreed to novate the rights of the Purchaser under the First Agreement and the Second Agreement to the New Purchaser. Accordingly, the original First Agreement and

Second Agreement were terminated and new agreements with substantially the same terms were entered into. A summary of the key terms of the Amendment Agreements are set out below:

THE AMENDMENT AGREEMENTS

The First Amendment Agreement

On 21 January 2019, the First Vendor, a company controlled by the Company, entered into the First Amendment Agreement with the Second Vendor and the New Purchaser.

Subject matter

Pursuant to the First Amendment Agreement, the New Purchaser agreed to purchase and the First Vendor and the Second Vendor agreed to sell their 60% and 40% interests in the First Target Company, respectively.

The interests to be sold by the First Vendor and the Second Vendor to the Purchaser represent the entire equity interests of the First Target Company.

Consideration

As consideration for the First Disposal, the New Purchaser shall repay all the amount due to the Group by the First Target Company in the aggregate amount of RMB16,505,265.04 within 15 days of signing of the First Amendment Agreement.

The consideration was determined by the parties after arm's length negotiations with reference to (i) the repayment obligations on the part of the First Target Company, and (ii) the net liability position of the First Target Company.

Information on the First Target Company

The First Target Company is a company incorporated in the PRC and is principally engaged in healthcare services business and possesses a Practice License of Medical Institution* (醫療機構執業許可證).

The net liability value of the First Target Company was approximately HK\$14,206,000 as at 31 December 2018. The financial results of First Target Company for the two years immediately preceding the date of the transaction are as follows:

	For the year ended 31 March			
	2017		2018	
	(audited)		(audited)	
	<i>RMB'000</i>	<i>Equivalent to HK\$'000</i>	<i>RMB'000</i>	<i>Equivalent to HK\$'000</i>
Net loss before tax	4,750	5,460	8,462	9,986
Net loss after tax	4,750	5,460	8,462	9,986

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately HK\$13,800,000, which is calculated by reference to the carrying value of the First Target Company as at 31 December 2018. The Directors currently intend to apply the proceeds from the First Disposal as general working capital of the Company. Upon completion of the First Disposal, the Group will no longer have any interests in the First Target Company.

The Second Amendment Agreement

On 21 January 2019, the Third Vendor, a subsidiary of the Group, entered into the Second Amendment Agreement with the New Purchaser.

Subject matter

Pursuant to the Second Amendment Agreement, the New Purchaser agreed to purchase and the Third Vendor agreed to sell 70% of the interests held by the Third Vendor in the Second Target Company.

Consideration

As consideration for the Second Disposal, the New Purchaser shall repay all the amount due by the Second Target Company to the Group and the Second Vendor in the aggregate amount of RMB3,169,230.95 within 15 days of signing of the Second Amendment Agreement.

The consideration was determined by the parties after arm's length negotiations with reference to (i) the repayment obligations on the part of the Second Target Company, and (ii) the net liability position of the Second Target Company.

Information on the Second Target Company

The Second Target Company is a company incorporated in the PRC and is principally engaged in healthcare services business and possesses a Practice License of Medical Institution* (醫療機構執業許可證).

The net liability value of the Second Target Company was approximately HK\$2,841,000 as at 31 December 2018. The financial results of Second Target Company for the two years immediately preceding the date of the transaction are as follows:

	For the year ended 31 March			
	2017		2018	
	(audited)		(audited)	
	<i>RMB'000</i>	<i>Equivalent to HK\$'000</i>	<i>RMB'000</i>	<i>Equivalent to HK\$'000</i>
Net loss before tax	—	—	1,049	1,238
Net loss after tax	—	—	1,049	1,238

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately HK\$4,800,000, which is calculated by reference to the carrying value of the Second Target Company as at 31 December 2018. The Directors currently intend to apply the proceeds from the Second Disposal as general working capital of the Company. Upon completion of the Second Disposal, the Group will no longer have any interests in the Second Target Company.

Information on the parties

(1) The Group, the First Vendor and the Third Vendor

The Company is an investment holding company. The Group is principally engaged in (i) healthcare services business; (ii) money lending business; and (iii) securities trading and investments business.

Each of the First Vendor and the Third Vendor is a wholly controlled or owned subsidiary of the Company as at the date of this announcement. They are principally engaged in healthcare services business.

(2) The Second Vendor

The Second Vendor is a company which specializes in research and development of genetic testing technologies, and in particular non-invasive cancer screening and diagnosis.

To the best of knowledge, information and belief of the Directors, except for its interest in 40% of the First Target Company and the Group holds 30% equity interest in the Second Vendor, the Second Vendor and its ultimate beneficial owners are independent of the Company and connected persons of the Company.

(3) The New Purchaser

The New Purchaser is a limited liability company established in the PRC and is a fellow subsidiary of the holding company of the Purchaser. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the New Purchaser, the Purchaser and their ultimate beneficial owners are third party independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSALS

The novation was made at the request of the Purchaser for reason to better organize the structure of the purchaser group for this business segment. Save for the change of the purchasing entity and the shorten payment period of 15 days, the other terms and conditions to the First Amendment Agreement and the Second Amendment Agreement are the same as the First Agreement and the Second Agreement, respectively.

As previously disclosed in the Announcement, the Disposals are being carried out to reduce costs and eliminate overlap structure and increase the efficiency of the healthcare services business of the Group.

The Board considers that the Disposals would be in the interests of the shareholders of the Company as a whole. After completion of the Disposals, the Company will continue to operate and focus on its principal businesses in the healthcare services business through Guangzhou Life Healthcare Clinical Laboratory Limited* (廣州蓮和醫學檢驗實驗室有限公司), a wholly-owned subsidiary, which have a Practice License of Medical Institution* (醫療機構執業許可證) and thus can provide healthcare services to the clients nationwide, and the Third Vendor, a research and development centre, which organises and performs core technologies research and exploitations.

GENERAL

The Directors consider the above amendments to the terms of the Disposals are not material in any respect and such amendments will not affect the operations or the financial positions of the Company in any way. The Directors further consider that the terms of the above amendments are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

At the time when the First Agreement and the Second Agreement were entered into, the Disposals did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. As one of the percentage ratios as determined in accordance with Rule 14.07 of the Listing Rules at the time when the Amended Agreements are entered into is more than 5% but less than 25%, the Disposals as contemplated under the Amendment Agreements constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Amendment Agreements”	the First Amendment Agreement and the Second Amendment Agreement;
“Board”	the board of Directors;
“Company”	Life Healthcare Group Limited (蓮和醫療健康集團有限公司), a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 928);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“Disposals”	the disposal of the First Target Company and the disposal of 70% interests in the Second Target Company;
“First Agreement”	the agreement dated 3 December 2018 entered into between, the Purchaser, the First Vendor and the Second Vendor in relation to the sale of the First Target Company;
“First Amendment Agreement”	the agreement dated 21 January 2019 entered into between, the New Purchaser, the First Vendor and the Second Vendor in relation to the sale of the First Target Company;
“First Target Company”	杭州蓮和醫學檢驗所有限公司 (Hangzhou Life Healthcare Clinical Laboratory Limited*), a company established in the PRC with limited liability;
“First Vendor”	蓮和(北京)醫療科技有限公司 (Life Healthcare (Beijing) Company Limited*), a company established in the PRC with limited liability, in which the Group has effective control by virtue of certain structured contracts as at the date of this announcement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“New Purchaser”	蓮和醫療(宜昌)有限公司 (Lianhe Medical (Yichang) Co., Ltd.*), a company established in the PRC with limited liability;

“Purchaser”	蓮和（貴安新區）醫療科技有限公司 (Lianhe (Guian New District) Medical Technology Company Limited*), a company established in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Agreement”	the agreement dated 3 December 2018 entered into between the Purchaser and the Third Vendor in relation to the sale of 70% interests in the Second Target Company;
“Second Amendment Agreement”	the agreement dated 21 January 2019 entered into between the New Purchaser and the Third Vendor in relation to the sale of 70% equity interests in the Second Target Company;
“Second Target Company”	天津蓮和醫學檢驗所有限公司 (Tianjin Life Healthcare Clinical Laboratory Limited*), a company established in the PRC with limited liability;
“Second Vendor”	廣州漫瑞生物信息技術有限公司 (Guangzhou Manrui Biotech Company Limited*), a company established in the PRC with limited liability;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Third Vendor”	北京蓮和醫學檢驗所有限公司 (Beijing Life Healthcare Clinical Laboratory Limited*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company as at the date of this announcement; and
“%”	per cent.

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

21 January 2019

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

Executive Directors:

Mr. Hua Yunbo (*Chairman and President*)

Ms. Shan Hua (*Chief Executive Officer*)

Mr. Man Wai Lun

Non-executive Director:

Dr. Feng Xiaogang

Independent Non-executive Directors:

Mr. Liu Xinghua

Mr. Zhou Jian

Mr. Zheng Chunlei

Ms. Zhang Xuyang

Mr. Chan Kam Wah