



金威医疗集团有限公司

Good Fellow Healthcare Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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*This announcement, for which the directors (the “**Directors**”) of Good Fellow Healthcare Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

HIGHLIGHTS

- The Group has recorded a total revenue of approximately HK\$100.783 million for the six months ended 30 September 2019 as compared with approximately HK\$172.147 million in the corresponding period in year 2018, representing a decrease of approximately 41.46%.
- Gross profit margin of the Group was approximately 75.15% for the six months ended 30 September 2019, compared with 70.54% in the corresponding period in year 2018, representing an increase of approximately 4.61 percentage points.
- The Group has recorded a loss attributable to owners of the Company for the six months ended 30 September 2019 of approximately HK\$0.905 million (2018: loss attributable to owners of the Company of approximately HK\$22.246 million).
- The Directors do not recommend the payment of a dividend for the six months ended 30 September 2019 (2018: Nil).

INTERIM RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and six months ended 30 September 2019, together with the unaudited comparative figures for the corresponding periods in 2018 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4 & 5	46,336	83,695	100,783	172,147
Cost of sales		(10,877)	(25,117)	(25,043)	(50,710)
Gross profit		35,459	58,578	75,740	121,437
Other revenue		1,573	9	3,200	340
Other gain/(loss), net		–	(471)	–	(471)
Gain on disposal of subsidiary	15	17,147	474	17,147	474
Impairment loss of a disposal group classified as held for sale		–	(9,600)	–	(9,600)
Impairment loss on goodwill		–	(6,154)	–	(6,154)
Selling and distribution expenses		(24,657)	(40,385)	(57,685)	(83,425)
Administrative expenses		(21,822)	(22,983)	(37,601)	(43,531)
Profit/(loss) from operations	6	7,700	(20,532)	801	(20,930)
Finance costs	7	(89)	(203)	(272)	(688)
Profit/(loss) before taxation		7,611	(20,735)	529	(21,618)
Taxation	8	(165)	(874)	(766)	(2,997)
Profit/(loss) for the period		7,446	(21,609)	(237)	(24,615)
Other comprehensive income for the period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of equity instruments at fair value through other comprehensive income		–	94	–	(396)
Exchange differences on translating foreign operations		(5,835)	(9,769)	(4,508)	(13,998)
Total comprehensive profit/(loss) for the period		1,611	(31,284)	(4,745)	(39,009)

	<i>Notes</i>	Three months ended		Six months ended	
		30 September		30 September	
		2019	2018	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:					
Owners of the Company		7,076	(17,534)	(905)	(22,246)
Non-controlling interests		370	(4,075)	668	(2,369)
		<u>7,446</u>	<u>(21,609)</u>	<u>(237)</u>	<u>(24,615)</u>
Total comprehensive profit/(loss) for the period attributable to:					
Owners of the Company		1,875	(24,181)	(4,928)	(40,681)
Non-controlling interests		(264)	(7,103)	183	1,672
		<u>1,611</u>	<u>(31,284)</u>	<u>(4,745)</u>	<u>(39,009)</u>
Dividends	13	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) per share attributable to owners of the Company					
- Basic (HK cents)	9	<u>0.243</u>	<u>(0.601)</u>	<u>(0.031)</u>	<u>(0.763)</u>
- Diluted (HK cents)		<u>0.243</u>	<u>(0.601)</u>	<u>(0.031)</u>	<u>(0.763)</u>

Condensed Consolidated Statement of Financial Position
As at 30 September 2019

	<i>Notes</i>	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		39,872	38,454
Deposit for property, plant and equipment		–	3,366
Goodwill		<u>20,093</u>	<u>20,093</u>
		<u>59,965</u>	<u>61,913</u>
Current assets			
Inventories		3,200	8,150
Trade and other receivables and deposits	10	39,528	34,437
Financial assets at fair value through profit or loss		1,149	2,072
Right-of-use assets		47,320	–
Cash and cash equivalents		<u>104,135</u>	<u>126,830</u>
		<u>195,332</u>	<u>171,489</u>
Total assets		<u><u>255,297</u></u>	<u><u>233,402</u></u>
EQUITY			
Capital and reserves			
Share capital	11	29,168	29,168
Reserves		<u>94,386</u>	<u>102,924</u>
Equity attributable to owners of the Company		<u>123,554</u>	<u>132,092</u>
Non-controlling interests		<u>16,135</u>	<u>15,518</u>
Total equity		<u>139,689</u>	<u>147,610</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	44,473	61,901
Amounts due to non-controlling shareholders		480	180
Lease liabilities		7,132	–
Tax payables		<u>192</u>	<u>324</u>
		<u>52,277</u>	<u>62,405</u>
Non-current liabilities			
Deferred Revenue		23,387	23,387
Lease liabilities		<u>39,944</u>	<u>–</u>
		<u>63,331</u>	<u>23,387</u>
Total liabilities		<u>115,608</u>	<u>85,792</u>
Total equity and liabilities		<u><u>255,297</u></u>	<u><u>233,402</u></u>
Net current assets		<u><u>143,055</u></u>	<u><u>109,084</u></u>
Total assets less current liabilities		<u><u>203,020</u></u>	<u><u>170,997</u></u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Share capital HK\$'000 (Note (a))	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Revaluation reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible note reserve HK\$'000	Statutory reserve HK\$'000 (Note (b))	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 April 2018 (audited)	29,168	440,289	295,610	551	-	(6,735)	19,628	16,469	-	15,802	(610,289)	200,493	50,192	250,685
Equity instruments at fair value through other comprehensive income	-	-	-	-	(396)	-	-	-	-	-	-	(396)	-	(396)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(22,426)	(22,426)	(2,369)	(24,615)
Exchange difference on translating foreign operations	-	-	-	-	-	-	(7,570)	-	-	-	(10,469)	(18,039)	4,041	(13,998)
Total comprehensive income/(loss) for the period	-	-	-	-	(396)	-	(7,570)	-	-	-	(32,715)	(40,681)	1,672	(39,009)
Lapse of share option	-	-	-	-	-	-	-	(16,463)	-	-	16,463	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(4,345)	(4,345)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	1,488	-	1,488	-	1,488
At 30 September 2018 (unaudited)	29,168	440,289	295,610	551	(396)	(6,735)	12,058	6	-	17,290	(626,541)	161,300	47,519	208,819
	Share capital HK\$'000 (Note (a))	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible note reserve HK\$'000	Statutory reserve HK\$'000 (Note (b))	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000	
At 1 April 2019 (audited)	29,168	440,289	295,610	551	(31,315)	1,802	-	-	4,220	(608,667)	131,658	15,952	147,610	
Loss for the period	-	-	-	-	-	-	-	-	-	(905)	(905)	668	(237)	
Exchange difference on translating foreign operations	-	-	-	-	-	(4,279)	-	-	-	256	(4,023)	(485)	(4,508)	
Total	-	-	-	-	-	(4,279)	-	-	-	(649)	(4,928)	183	(4,745)	
Transfer to statutory reserve	-	-	-	-	-	-	-	-	(3,176)	-	(3,176)	-	(3,176)	
At 30 September 2019 (unaudited)	29,168	440,289	295,610	551	(31,315)	(2,477)	-	-	1,044	(609,316)	123,554	16,135	139,689	

Notes:

- (a) As at 30 September 2019, the total issued share capital of the Company was approximately HK\$29.168 million (31 March 2018: approximately HK\$29.168 million) divided into 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (31 March 2019: 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK\$0.01 each (31 March 2019: HK\$0.01 each).
- (b) As stipulated by the relevant People's Republic of China ("PRC") laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the Board and by the relevant authority, to offset accumulated losses or increase capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(24,379)	(7,125)
Net cash generated from/(used in) investing activities	761	(1,310)
Net cash generated from/(used in) financing activities	<u>923</u>	<u>(22,295)</u>
Net decrease in cash and cash equivalents	(22,695)	(30,730)
Cash and cash equivalents at 1 April	<u>126,830</u>	<u>102,884</u>
Cash and cash equivalents at 30 September, represented by:		
Bank balances and cash	104,135	72,154
Bank balances and cash included in assets classified as held for sale	<u>–</u>	<u>29,399</u>
Cash and cash equivalents at 30 September	<u><u>104,135</u></u>	<u><u>101,553</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2019

1. Corporate information

The Company was incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability. The shares of the Company are listed on GEM. The registered office of the company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at Unit 3309, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi (“**RMB**”). The Directors considered that it is more appropriate to present the condensed consolidated financial statements in HK\$ as the shares of the Company are listed on GEM. The unaudited condensed consolidated financial statements are presented in thousands of units of HK\$ (HK\$'000), unless otherwise stated.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services in the PRC.

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative financial instruments) and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Other than the changes in accounting policies resulting from application of new HKFRSs, in preparing these Interim Financial Statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

3. Significant Accounting Policies

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 8.00%.

4. Revenue

Revenue represents the provision of general hospital services during the period. The analysis of the Group's revenue for the periods is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Provision of general hospital services	46,336	83,695	100,783	172,147

5. Segment Information

Information reported internally to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is principally engaged in provision of general hospital services in the PRC. The chief operating decision maker has decided to combine the provision of general hospital service and the provision of healthcare and hospital management services into one single operation division in order to manage and review the performance of the hospital related business more efficiently. These divisions are the basis on which the Group reports its segment information.

For the six months ended 30 September 2019, the Group only engaged in provision of general hospital services in the PRC. No analysis of the Group's results, assets and liabilities of other reportable segment is presented. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision makers.

6. Profit/(loss) from operations

	Three months ended		Six months ended	
	30 September	2018	30 September	2018
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	920	3,249	1,907	6,443
Impairment loss of a disposal group classified as held for sale	–	9,600	–	9,600
Impairment loss on goodwill for Beijing Tongji Hospital Co., Limited	–	6,154	–	6,154
Amortisation of prepaid lease payments	623	938	1,057	2,561
Operating lease rentals in respect of buildings	3,173	5,013	6,640	9,703
Staff costs (including Directors' remuneration)	10,766	21,699	21,552	43,424

7. Finance costs

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on:				
– Convertible note and promissory note	–	95	–	263
– Bank borrowings wholly repayable within five years	<u>89</u>	<u>108</u>	<u>272</u>	<u>425</u>
	<u>89</u>	<u>203</u>	<u>272</u>	<u>688</u>

8. Taxation

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2018: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the general hospital services in the PRC (2018: approximately 25%).

9. Profit/(loss) per share

The calculation of basic profit per share for the three months ended 30 September 2019 was based on the profit for the period attributable to owners of the Company of approximately HK\$7.076 million (2018: loss attributable to owners of the Company of approximately HK\$17.534 million) and on the weighted average number of ordinary shares of approximately 2,818,249,944 shares (2018: 2,818,249,944 shares).

The calculation of basic loss per share for the six months ended 30 September 2019 was based on the loss for the period attributable to owners of the Company of approximately HK\$0.905 million (2018: loss attributable to owners of the Company of approximately HK\$22.246 million) and on the weighted average number of ordinary shares of approximately 2,818,249,944 shares (2018: 2,818,249,944 shares).

For the three months periods ended 30 September 2019 and 2018, and the six months periods ended 30 September 2019 and 2018, the calculation of diluted loss per share did not assume the exercise of the convertible notes and outstanding share options existed as at 30 September 2019 and 2018, respectively, as the exercise of the convertible notes and share options would decrease the loss per share, and therefore are anti-dilutive.

10. Trade and other receivables and deposits

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables, net	73	2,142
Prepayments and deposits paid	12,975	7,287
Prepaid lease payments	–	–
Other receivables	<u>29,962</u>	<u>27,655</u>
	43,010	37,084
<i>Less:</i> Impairment loss recognised in respect of other receivables	<u>(3,482)</u>	<u>(2,647)</u>
	<u>39,528</u>	<u>34,437</u>

Payment terms with customers from general hospital services are normally payable from 0 to 30 days. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0 to 90 days	85	2,163
91 to 180 days	299	414
181 to 365 days	311	81
Over 365 days	<u>1,350</u>	<u>1,150</u>
	2,045	3,808
<i>Less:</i> Impairment loss recognised in respect of trade receivables	<u>(1,972)</u>	<u>(1,666)</u>
	<u>73</u>	<u>2,142</u>

11. Share capital

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2019	110,000,000,000	1,100,000
Non-voting convertible preference shares of HK\$0.01 each at 30 September 2019	<u>40,000,000,000</u>	<u>400,000</u>
	<u>150,000,000,000</u>	<u>1,500,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2019	2,818,249,944	28,183
Non-voting convertible preference shares of HK\$0.01 each at 30 September 2019	<u>98,500,000</u>	<u>985</u>
	<u>2,916,749,944</u>	<u>29,168</u>

12. Trade and other payables

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	4,784	14,817
Receipts in advance	1,239	570
Accruals and other payables	<u>38,450</u>	<u>46,514</u>
	<u>44,473</u>	<u>61,901</u>

The average credit period on purchases of certain goods is 90 days. The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0 to 90 days	2,631	7,713
91 to 180 days	623	1,895
181 to 365 days	909	2,783
Over 365 days	621	2,426
	<u>4,784</u>	<u>14,817</u>

13. Dividends

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2019 (2018: Nil).

14. Related party transactions

During the reporting period, other than those transactions and balances detailed elsewhere in the Interim Financial Statements, the Group had the following significant transactions with related parties which, in the opinion of the directors, were carried out in the ordinary courses of the Group's business:

a) *Key management personnel*

Remuneration for key management personnel, including amount paid to the Company's Directors and other members of key management during the period were as follows:

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	3,708	3,421
Share-based payment expenses	—	—
	<u>3,708</u>	<u>3,421</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2019 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$100.783 million (2018: approximately HK\$172.147 million), representing a decrease of approximately 41.46% as compared with the same period last year. The decrease was mainly related to the disposal of Zhuhai Jiulong Hospital Company Limited# (珠海九龍醫院有限公司) (“**Zhuhai Jiulong Hospital**”) and Edward Hospital Company Limited# (愛德華醫院有限公司).

Selling and distribution expenses for the period under review amounted to approximately HK\$57.685 million (2018: approximately HK\$83.425 million), a decrease of approximately 30.85%. The decrease was due to the disposal of Zhuhai Jiulong Hospital and Edward Hospital Company Limited.

Administrative expenses for the period under review amounted to approximately HK\$37.601 million (2018: approximately HK\$43.531 million), a decrease by approximately 13.62%. The decrease was mainly related to the disposal of Zhuhai Jiulong Hospital and Edward Hospital Company Limited.

The Group recorded a loss attributable to owners of the Company of approximately HK\$0.905 million for the period under review (2018: loss attributable to owners of the Company of approximately HK\$22.246 million). The decrease in loss was mainly due to the recognition of a gain of a disposal of subsidiary approximately HK\$17.147 million.

Business Review and Outlook

General hospital services

During the six months ended 30 September 2019, the Group operated two general hospitals in Jiaxing and Beijing principally engaged in the provision of hospital services including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. The total turnover contributed by these hospitals for the six months ended 30 September 2019 was approximately HK\$100.783 million (2018: approximately HK\$172.147 million for four general hospitals), a decrease by approximately about 41.46%. The decrease was mainly related to the disposal of Zhuhai Jiulong Hospital and Edward Hospital Company Limited.

Future Prospects

The latest data shows that China is becoming of the countries with most seniors above 60 years or older, reaching 250 million. The health status of the seniors in China indicates that there are more than 75% with one or more chronic diseases and in fact 40 million seniors are disabled. The increasing prevalence of the geriatric disease has placed another challenge to the healthcare of the country. On the other hand, as shown, the healthcare industry in china has rapidly advanced in all aspects of primary care, disease prevention, and rehabilitation to fulfill the targets of delivering the accessible and affordable healthcare to the people of the all ages, including the seniors. The healthcare reform has continued to change the landscape of the community care programs, diversified clinical services, and drug distribution. Among all, it is noted that the advanced technologies have largely driven further innovations to ensure the easy delivery of the medical services of high quality and safety to those in need. All of those have opened more opportunities in one of the largest markets in the world to healthcare service companies. It is exactly in view of the promising development that the management of the group is confident to be well poised to take advantage of this reform and favorable outcomes. The Group's hospitals will continue to improve the quality of services and the new medical technologies in the present market.

To meet the challenges from the market and to deliver quality services require the Group to position its businesses to a long-term development strategy by closely working with the leading medical organizations to bring the new technologies, the well proved service models, and especially the promising medical informatics to our existing hospitals and new business ventures. Ultimately the Group will benefit from the value experiences and successful implementation from our partners around the world. The management continues to focus on the training of medical staff, the exploration of the new business approaches, the quality and safety of medical services and the optimization of our resources for the better outcomes both medically and financially. The Group is confident about our ability to expand the businesses in the country in line with the national goals of the Health China 2020.

Capital Structures, Liquidity and Financial Resources

The Group had total cash and cash equivalents of approximately HK\$104.135 million as at 30 September 2019 (31 March 2019: approximately HK\$126.830 million).

The Group recorded total current assets of approximately HK\$195.332 million as at 30 September 2019 (31 March 2019: approximately HK\$171.489 million) and total current liabilities of approximately HK\$52.277 million as at 30 September 2019 (31 March 2019: approximately HK\$62.405 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.737 as at 30 September 2019 (31 March 2019: approximately 2.748).

Gearing Ratio

Gearing ratio (total borrowings comprises bill payables, bank borrowings, convertible note and promissory note, net of cash and bank balances, over equity attributable to owners of the Company) as at 30 September 2019 was approximately N/A (31 March 2019: approximately N/A).

Capital Commitment

As at 30 September 2019, the Group had no material capital commitment (31 March 2019: Nil).

Significant Investments Held

As at 30 September 2019, the Group did not hold any significant investment (31 March 2019: Nil).

Contingent Liabilities

As at 30 September 2019, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group (31 March 2019: Nil).

Financing and Treasury Policies

The Group continues to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

Dividends

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2019 (2018: Nil).

Foreign Exchange Risk

Almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk. As the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the six months ended 30 September 2019.

Charges on the Group's Assets

As at 30 September 2019, the Group's bank deposits of approximately HK\$Nil (31 March 2019: approximately HK\$Nil) were pledged as collateral to secure general banking facilities granted to the Group.

Employee Information

As at 30 September 2019, the Group had 384 (31 March 2019: 720) full time employees. During the six months ended 30 September 2019, the staff costs, including Directors' remuneration, totalled approximately HK\$21.552 million (2018: approximately HK\$43.424 million). Share options and bonuses are also available to the Group's employees at the discretion of the Board and depending upon the financial performance of the Group. The Group's employment and remuneration policies remained the same as detailed in its annual report for the year ended 31 March 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Refurbishment of Edinburgh International Hospital

On 1 April 2019, Edinburgh Hospital Management (Putian) Company Limited# (愛丁醫院管理(莆田)有限公司) (“**Edinburgh Hospital Management**”), a wholly-owned subsidiary of Edinburgh International Investments Ltd. (“**Edinburgh International**”) which, in turn, is a non wholly-owned subsidiary of the Company, entered into the refurbishment agreement (the “**Refurbishment Agreement**”) with CSCEC Strait Construction and Development Co., Ltd (“**CSCEC Construction**”) for the refurbishment of Edinburgh International Hospital at the cost of RMB41,600,000 (equivalent to approximately HK\$46,592,000).

On 6 August 2019, Edinburgh Hospital Management and CSCEC Construction entered into the supplemental agreement to the Refurbishment Agreement (the “**Supplemental Agreement**”), pursuant to which the parties to the Refurbishment Agreement have mutually agreed in writing to amend and supplement certain terms of the Refurbishment Agreement, including (i) the subject matter for the refurbishment would exclude the medical purification area; (ii) the refurbishment period was estimated to be 127 days from the date of the Supplemental Agreement; and (iii) the revised refurbishment cost would amount to RMB27,049,600 (equivalent to approximately HK\$30,295,552).

For more details, please refer to the announcements of the Company dated 1 April 2019 and 6 August 2019; and the announcements of the Company dated 26 September 2018 and 12 October 2018, in relation to the establishment of Edinburgh International Hospital.

Disposal of the entire issued share capital of Sino Brave

On 16 April 2019, Ally Health International Limited (“**Ally Health**”), a wholly-owned subsidiary of the Company, as vendor and Jing Hoi Ou Investment Limited (“**Jing Hoi**”) as purchaser entered into the disposal agreement, pursuant to which, Ally Health conditionally agreed to sell and Jing Hoi conditionally agreed to purchase the entire issued share capital of Sino Brave Investments Limited (“**Sino Brave**”, together with its subsidiaries, the “**Sino Brave Group**”), at the consideration of HK\$1,000,000 (the “**Disposal**”).

Completion of the Disposal took place on 31 August 2019. Upon completion, the Sino Brave Group ceased to be subsidiaries of the Company.

For more details, please refer to the circular of the Company dated 24 May 2019; and the announcements of the Company dated 16 April 2019 and 31 August 2019.

Tenancy for Jiaxing Shuguang Medical Beauty Clinic

On 17 July 2019, Jiaxing Shuguang Medical Beauty Clinic Co., Ltd.# (嘉興市曙光醫療美容門診部有限公司), a non wholly-owned subsidiary of the Company, as tenant and Shanghai Yuanhao Business Management Co., Ltd.# (上海元酉商業管理有限公司) as landlord entered into the tenancy agreement in respect of the lease of a total of 33 rooms located at 1-4/F, Jiaxing World Trade Centre, Nanhu District, Jiaxing City, the PRC# (嘉興市南湖區嘉興世界貿易中心) for the operation of the Jiaxing Shuguang Medical Beauty Clinic, for a term of 12 years and 11 months, commencing from 1 February 2020 and expiring on 31 December 2032 (both days inclusive) at an annual rent of RMB2,923,029.62 (equivalent to approximately HK\$3,273,793) for the first two years, followed by an increment of 5% every two years for the remaining of the term (payable semi-annually in advance) (exclusive of management fees, utilities expenses and property charges), with a rent-free period of six months, commencing from 1 August 2019 and expiring on 31 January 2020 (both days inclusive) (exclusive of utilities expenses (if any)).

For more details, please refer to the announcement of the Company dated 17 July 2019.

Save as disclosed, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the period under review.

TENANCY FOR EDINBURGH INTERNATIONAL HOSPITAL

On 31 July 2019, Edinburgh Hospital Management as tenant and Putian Medical Healthcare Investment Co., Ltd.# (莆田市醫療健康產業投資有限公司) as landlord entered into the tenancy agreement in respect of the lease of Units C3-1#, C3-2# and C3-3# (Land no. 3-B), Lianfa Putian E-Commerce City, Licheng North Avenue, Chengxiang District, Putian, Fujian, the PRC# (莆田市城廂區荔城北大道的聯發莆田電商城(地塊三-B) C3-1#、C3-2#、C3-3#單元) for the operation of Edinburgh International Hospital, for a term of 60 months, commencing from 24 February 2024 and expiring on 23 February 2029 (both days inclusive) at a monthly rent of RMB224,771.36 (equivalent to approximately HK\$251,744) (exclusive of utilities expenses but inclusive of tax), with (i) a rent-free period of 60 months, commencing from 24 February 2019 and expiring on 23 February 2024 (both days inclusive) (exclusive of utilities expenses (if any)); and (ii) an option to renew for 120 months, commencing from 24 February 2029 and expiring on 23 February 2039 (both days inclusive) which is exercisable by Edinburgh Hospital Management within two months prior to the expiry of the initial 120 months.

For more details, please refer to the announcement of the Company dated 6 August 2019.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

With effect from 4 July 2019, the address of the head office and principal place of business in Hong Kong of the Company has been changed to Unit 3309, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The telephone number, facsimile number and website of the Company remain unchanged.

POSSIBLE COOPERATION IN HAINAN

On 3 November 2019 (after trading hours), China Merchant Hainan Development Investment Co., Ltd.# (招商局海南開發投資有限公司), Hainan Boao Super Hospital Co., Ltd.# (海南博鰲超級醫院有限公司) and Edinburgh International entered into the letter of intent in relation to the cooperation for the establishment of the University of Edinburgh Boao International Diabetes Center# (愛丁堡大學博鰲國際糖尿病中心), being the clinical services pilot project for sino-foreign collaborative teaching hospital (the “**Possible Cooperation**”). The Possible Cooperation aims to introduce unique diabetes diagnosis and treatment technology from the University of Edinburgh to provide diabetes diagnosis and treatment programme in the PRC, in order to attract patients from countries and regions along the Belt and Road to the Boao Lecheng Pilot Zone# (博鰲樂城先行區) to enjoy medical tourism services, and to promote the development of super hospitals and pilot zone.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant event took place subsequent to the end of the reporting period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) *Interests in shares and underlying shares of the Company:*

Name of Director	Nature of interest	Number of shares and underlying shares	Position	Approximate percentage of the total issued shares
Mr. Ng Chi Lung	Personal interest	59,000,000	Long	2.09%
	Corporate interest (Note)	1,680,459,460	Long	59.63%
Dr. Jiang Tao	Personal interest	9,300,000	Long	0.33%
Mr. Zheng Gang	Personal interest	6,044,000	Long	0.21%

Note: Solar Star Global Limited ("Solar Star") is interested in 1,581,959,460 shares and 98,500,000 convertible preference shares of the Company. The issued share capital of Solar Star is owned as to 50% by Mr. Ng Chi Lung, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng Chi Lung is deemed to be interested in the shares and the convertible preference shares in which Solar Star is interested in under Part XV of the SFO.

(ii) Interests in the issued share capital of the Company's associated corporation:

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Position	Approximate percentage of shareholdings in the associated corporation's issued share capital
Nil	–	–	–	–	–

(iii) Interests in share options under share option scheme:

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Nil	–	–	–	–

Save as disclosed above, as at 30 September 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial shareholders' interests and short positions in shares and underlying shares of the Company

As at 30 September 2019, other than the interests of Directors or chief executives of the Company as disclosed in the paragraph headed "Directors' interests and short positions in the securities of the Company and its associated corporations" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares and underlying shares	Position	Approximate percentage of the total issued shares
Solar Star Global Limited ("Solar Star") (Note 1)	Beneficial owner	1,680,459,460	Long	59.63%
Ms. Cheng Wai Yin (Note 2)	Interest of spouse	1,739,459,460	Long	61.72%
New Hope International (Hong Kong) Limited ("New Hope International") (Note 3)	Beneficial owner	343,217,539	Long	12.18%
Southern Hope Enterprise Co., Ltd. [#] (南方希望實業有限公司) (Note 3)	Corporate interest	343,217,539	Long	12.18%
New Hope Group Co., Ltd. [#] (新希望集團有限公司) (Note 3)	Corporate interest	343,217,539	Long	12.18%
Tibet Hengye Feng Industrial Co., Ltd. [#] (西藏恒業峰實業有限公司) (Note 3)	Corporate interest	343,217,539	Long	12.18%
Mr. Liu Yonghao (Note 3)	Corporate interest	343,217,539	Long	12.18%
Ms. Liu Chang (Note 3)	Corporate interest	343,217,539	Long	12.18%
Ms. Li Wei (Note 4)	Interest of spouse	343,217,539	Long	12.18%

Notes:

- (1) Solar Star is interested in 1,581,959,460 shares and 98,500,000 convertible preference shares of the Company. The issued share capital of Solar Star is owned as to 50% by Mr. Ng Chi Lung, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng Chi Lung is deemed to be interested in the shares and the convertible preference shares in which Solar Star is interested in under Part XV of the SFO.

- (2) Ms. Cheng Wai Yin is the spouse of Mr. Ng Chi Lung. Ms. Cheng Wai Yin is deemed to be interested in the shares and the convertible preference shares in which Mr. Ng Chi Lung is interested in under Part XV of the SFO.
- (3) New Hope International is interested in 343,217,539 shares of the Company. The issued share capital of New Hope International is owned as to 75% by Southern Hope Enterprise Co., Ltd.[#] which is in turn owned as to 51% by New Hope Group Co., Ltd.[#] and as to 49% by Tibet Hengye Feng Industrial Co., Ltd.[#] Both New Hope Group Co., Ltd.[#] and Tibet Hengye Feng Industrial Co., Ltd.[#] are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Mr. Liu Yonghao and Ms. Liu Chang are deemed to be interested in the shares in which New Hope International is interested in under Part XV of the SFO.
- (4) Ms. Li Wei is the spouse of Mr. Liu Yonghao. Ms. Li Wei is deemed to be interested in the shares in which Mr. Liu Yonghao is interested in under Part XV of the SFO.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Save as disclosed above, at no time during the period under review was the Company or any of its subsidiaries, associated companies, fellow subsidiaries or holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the period.

SHARE OPTION SCHEMES

No share option has been granted, exercised, cancelled or lapsed under the share option scheme for the six months ended 30 September 2019. As at 30 September 2019, there was no outstanding share options.

The Company had adopted the share option scheme on 10 August 2011, and the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the share option scheme adopted on 10 August 2011:

(A) Purpose of the share option scheme

The purpose of purpose of the share option scheme is to enable the Company to grant share options to the Eligible Participants (as defined below) in order to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

(B) Participants of the share option scheme

The participants (the “**Eligible Participants**”) of the share option scheme shall be any employee of the Company or any of its subsidiaries including any executive and non-executive directors of the Company or any of its subsidiaries, and any suppliers, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

(C) Total number of shares available for issue under the share option scheme

Under the share option scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the number of the issued shares as at 17 August 2015, being the date of the annual general meeting of the Company refreshing the scheme mandate limit, which allowed the Directors to grant share options to subscribe for up to 169,876,994 shares of the Company, unless the Company obtains a fresh approval from the shareholders of the Company.

As at the date of this announcement, the total of 169,876,994 shares available for issue under the share option scheme, represents approximately 6.03% of the issued share capital of the Company.

(D) Maximum entitlement of each participant under the share option scheme

The maximum entitlement of each participant under the share option scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of shares of the Company in issue.

(E) The period within which the shares must be taken up under a share option

The period during which a share option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) The minimum period for which a share option must be held before it can be exercised

As determined by the Board upon the grant of a share option.

(G) The amount payable on acceptance of a share option and the period within which payments shall be made

A non-refundable nominal consideration of HK\$10.00 is payable by the grantee upon acceptance of a share option, where the grantee should accept or decline the offer of grant of a share option within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made.

(H) The basis of determining the exercise price

The exercise price of a share in respect of any particular share option granted under the share option scheme shall be a price determined by the Board in its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant.

(I) The remaining life of the share option scheme

The share option scheme shall be valid and effective for a period of 10 years from 10 August 2011, being the adoption date, until 9 August 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 September 2019, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 2019, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CHANGE IN INFORMATION OF DIRECTORS

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the annual report of the Company for the year ended 31 March 2019 are set out below:

The Board is pleased to announce that with effect from 4 October 2019, (i) Mr. Lau Tak Kei Arthur has been appointed as an independent non-executive Director, and a member of each of the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee; and (ii) Dr. Liu Chenli has been re-designated as a non-executive Director, and resigned as a member of each of the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

Code provision A.5.1 provides that the Company should establish a nomination committee chaired by the chairman of the board or an independent non-executive director. Upon the appointment of Mr. Ng Chi Lung, being the chairman of the Board, as the chairman of the Nomination and Corporate Governance Committee on 21 June 2019, the Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the six months ended 30 September 2019.

REMUNERATION COMMITTEE

The Company established the remuneration committee of the Company (the “**Remuneration Committee**”) on 3 June 2005 in compliance with the code provision. The Remuneration Committee has four members comprising an executive Director, Mr. Zheng Gang, and three independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur. Ms. Wong Ka Wai, Jeanne is the chairlady of the Remuneration Committee.

The role and function of the Remuneration Committee include the determination of the specific remuneration package of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

On 11 February 2014, the Board resolved to establish a nomination and corporate governance committee of the Company (the “**Nomination and Corporate Governance Committee**”) in place and stead of the previous nomination committee of the Company, which was established on 27 March 2012 in compliance with the code provision. The Nomination and Corporate Governance Committee has five members comprising the chairman, Mr. Ng Chi Lung, the chief executive officer, Dr. Jiang Tao, and three independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur. Mr. Ng Chi Lung is the chairman of the Nomination and Corporate Governance Committee.

The primary duties of the Nomination and Corporate Governance Committee include, but are not limited to: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; (ii) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; (iii) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Company; and (iv) keeping the effectiveness of the corporate governance and system of internal controls of the Group.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the “**Audit Committee**”) on 2 November 2001, with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee has three members comprising all the independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

The primary duties of the Audit Committee are: (i) to ensure the adequacy and effectiveness of the accounting and financial controls of the Group; (ii) oversee the performance of risk management and internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The Group’s unaudited condensed consolidated results for the period under review has not been audited by the auditor of the Company, but has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

By order of the Board
Good Fellow Healthcare Holdings Limited
Ng Chi Lung
Chairman and Executive Director

Hong Kong, 13 November 2019

[#] *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

For the purposes of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.12. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

As at the date of this announcement, the Board comprises Mr. Ng Chi Lung, Dr. Jiang Tao and Mr. Zheng Gang as executive Directors; Dr. Liu Chenli as a non-executive Director; and Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur as independent non-executive Directors.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of publication and on the Company’s website at www.gf-healthcare.com.