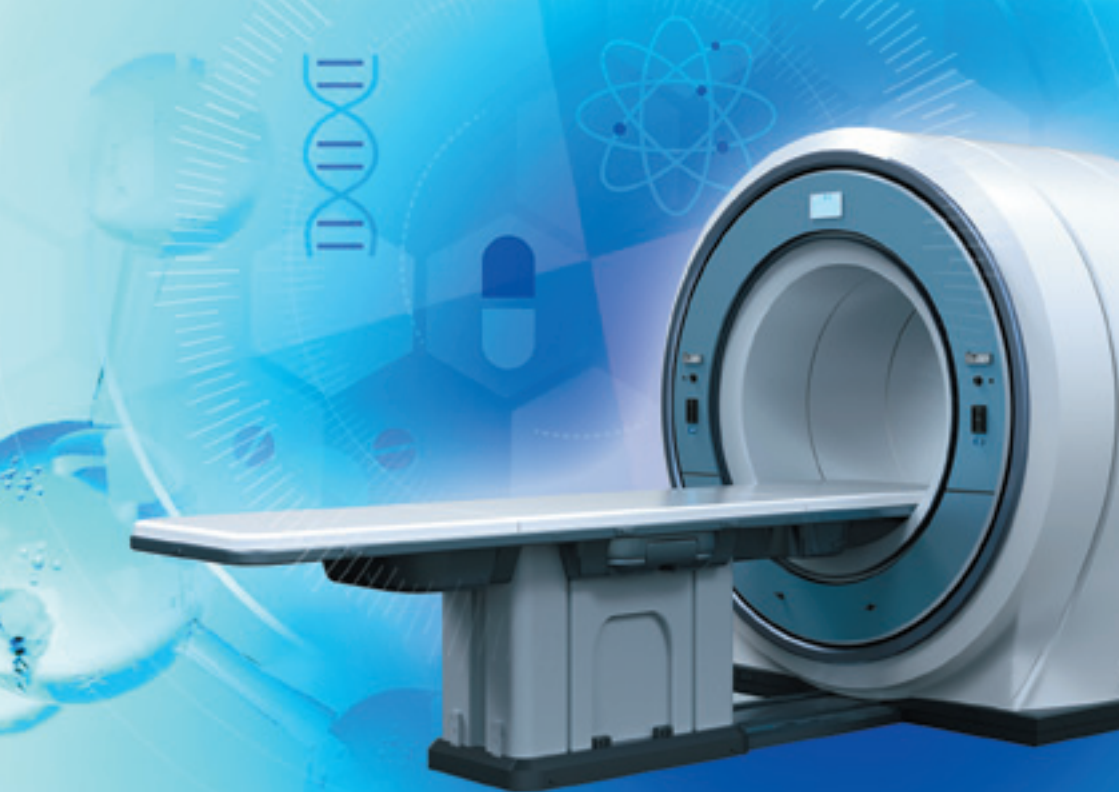




GOOD FELLOW HEALTHCARE HOLDINGS LIMITED 金威醫療集團有限公司

Incorporated in the Cayman Islands with limited liability
(Stock Code: 8143)

Third Quarterly Report 2019/2020



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*This report 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 report 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 report misleading.*

HIGHLIGHTS

- The Group has recorded total turnover of approximately HK\$135.970 million for the nine months ended 31 December 2019 as compared to a total turnover of approximately HK\$264.242 million recorded in the corresponding period in 2018, representing a decrease of approximately 48.54%.
- Loss attributable to owners of the Company for the nine months ended 31 December 2019 was approximately HK\$6.556 million (2018: approximately HK\$22.392 million).
- Loss attributable to owners of the Company for the three months ended 31 December 2019 was approximately HK\$5.651 million (2018: approximately HK\$0.146 million).
- The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2019 (2018: Nil).

The English translation of Chinese name(s) in this report, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).

THIRD QUARTERLY RESULTS

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 nine months ended 31 December 2019, together with the unaudited comparative figures for the corresponding periods in 2018 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2019

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Turnover	3	35,187	92,095	135,970	264,242
Cost of sales		(10,849)	(27,170)	(35,892)	(77,880)
Gross profit		24,338	64,925	100,078	186,362
Other loss		-	(106)	-	(577)
Other revenue and income		1,167	(15)	4,367	325
Gain on disposal of subsidiary	7	-	-	17,147	474
Loss on asset to be disposal		-	-	-	(9,600)
Impairment loss on goodwill		-	-	-	(6,154)
Selling and distribution expenses		(13,428)	(45,837)	(71,113)	(129,262)
Administrative expenses		(17,362)	(17,231)	(54,963)	(60,762)
(Loss)/profit from operations		(5,285)	1,736	(4,484)	(19,194)
Finance costs		(68)	(410)	(340)	(1,098)
(Loss)/profit before taxation		(5,353)	1,326	(4,824)	(20,292)
Taxation	4	(302)	(879)	(1,068)	(3,876)

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(5,655)	447	(5,892)	(24,168)
Other comprehensive income,				
net of tax:				
Change in fair value of equity instruments at fair value through other comprehensive income	-	(282)	-	(678)
Exchange differences arising on translating foreign operations	<u>3,491</u>	<u>(1,058)</u>	<u>(1,017)</u>	<u>(15,056)</u>
Total comprehensive loss for the period	<u><u>(2,164)</u></u>	<u><u>(893)</u></u>	<u><u>(6,909)</u></u>	<u><u>(39,902)</u></u>

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2019

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
(Loss)/profit for the period					
attributable to:					
Owners of the Company		(5,651)	(146)	(6,556)	(22,392)
Non-controlling interests		(4)	593	664	(1,776)
		<u>(5,655)</u>	<u>447</u>	<u>(5,892)</u>	<u>(24,168)</u>
Total comprehensive (loss)/profit					
attributable to:					
Owners of the company		(2,392)	(1,080)	(7,320)	(41,761)
Non-controlling interests		228	187	411	1,859
		<u>(2,164)</u>	<u>(893)</u>	<u>(6,909)</u>	<u>(39,902)</u>
Dividends	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss per share attributable to					
the owners of the Company					
- Basic (HK cents)	6	<u>(0.194)</u>	<u>(0.005)</u>	<u>(0.225)</u>	<u>(0.768)</u>
- Diluted (HK cents)		<u>(0.194)</u>	<u>(0.005)</u>	<u>(0.225)</u>	<u>(0.768)</u>

Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2019

	Attributable to owners of the Company												
	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	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	-	-	-	-	(678)	-	-	-	-	-	(678)	-	(678)
Loss for the period	-	-	-	-	-	-	-	-	-	(22,392)	(22,392)	(1,776)	(24,168)
Exchange difference on translating foreign operations	-	-	-	-	-	-	(8,069)	-	-	(10,622)	(18,691)	3,635	(15,056)
Total	-	-	-	-	(678)	-	(8,069)	-	-	(33,014)	(41,761)	1,859	(39,902)
Lapse of share option	-	-	-	-	-	-	(16,463)	-	-	16,463	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(4,185)	(4,185)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	2,094	-	2,094	-	2,094
At 31 December 2018 (unaudited)	29,168	440,289	295,610	551	(678)	(6,735)	11,559	6	17,896	(626,840)	160,826	47,866	208,692
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		
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	-	(6,556)	(6,556)	664	(5,892)	
Exchange difference on translating foreign operations	-	-	-	-	-	-	(3,372)	-	2,608	(764)	(253)	(1,017)	
Total	-	-	-	-	-	-	(3,372)	-	(3,948)	(7,320)	411	(6,909)	
Transfer to statutory reserve	-	-	-	-	-	-	-	(2,961)	-	(2,961)	-	(2,961)	
At 31 December 2019 (unaudited)	29,168	440,289	295,610	551	(31,315)	(1,570)	1,259	(612,615)	121,377	16,363	137,740		

Notes:

- (a) As at 31 December 2019, the total issued share capital of the Company was approximately HK\$29.168 million (31 March 2019: 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.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 31 December 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 nine months ended 31 December 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable 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 unaudited condensed consolidated financial results have been prepared under the historical cost convention except for certain financial assets and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration of given in exchange of assets.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the nine months ended 31 December 2019 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2019 (the “**2018/19 Financial Statements**”), except for the new and revised standards, amendments and interpretations of HKFRSs (“**new and revised HKFRSs**”) issued by HKICPA which have become effective in this period as detailed in notes to the 2018/19 Financial Statements. The Directors believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in these unaudited condensed consolidated financial results.

3. Turnover

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Provision of general hospital services	35,187	92,095	135,970	264,242

4. Taxation

No provision for Hong Kong profits tax has been made in the 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 provision of general hospital services in the PRC (2018: approximately 25%).

5. Dividends

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2019 (2018: Nil).

6. Loss per share

The calculation of basic loss per share for the three months ended 31 December 2019 was based on the loss attributable to owners of the Company of approximately HK\$5.651 million (2018: approximately HK\$0.146 million) and on the weighted average number of ordinary share of approximately 2,818,249,944 shares (2018: 2,818,249,944 shares).

The calculation of basic loss per share for the nine months ended 31 December 2019 was based on the net loss attributable to owners of the Company of approximately HK\$6.556 million (2018: approximately HK\$22.392 million) and on the weighted average number of ordinary shares of approximately 2,818,249,944 shares (2018: 2,818,249,944 shares).

Diluted loss per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and nine months ended 31 December 2019, the Company had a category of dilutive potential ordinary shares: share options. For the three months and nine months ended 31 December 2019 and 2018, the calculation of diluted earnings per share did not assumed the exercise of the convertible note existed at 31 December 2019 and 2018 as the exercise of the convertible note would increase earnings per share, therefore anti-dilutive.

For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding shares options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended 31 December 2019 HK\$'000 (Unaudited)	Nine months ended 31 December 2019 HK\$'000 (Unaudited)
Loss attributable to owners of the Company		
– Loss for the purpose of diluted earnings per share	<u>(5,651)</u>	<u>(6,556)</u>
Weighted average number of ordinary shares in issue	2,818,249,944	2,818,249,944
Adjustments for assumed exercise of share options	<u>–</u>	<u>–</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>2,818,249,944</u>	<u>2,818,249,944</u>
	Three months ended 31 December 2019	Nine months ended 31 December 2019
– Basic (<i>HK cents</i>)	<u>(0.194)</u>	<u>(0.225)</u>
– Diluted (<i>HK cents</i>)	<u>(0.194)</u>	<u>(0.225)</u>

7. Disposals of Subsidiary

- (a) During the nine months periods ended 31 December 2019, the Group disposed of its entire equity interest in subsidiary Sino Brave Investments Limited to an independent third party. The disposal was completed on 31 August 2019.

	HK\$'000
<hr/>	
The consolidated net assets disposed of:	
Cash and cash equivalents	1,384
Property, plant and equipment	13,361
Trade and other receivables and deposits	15,120
Inventories	4,724
Trade and other payables	<u>(52,529)</u>
Consolidated net assets disposed of:	(17,940)
Release of translation reserve upon disposal	<u>(207)</u>
	(18,147)
Gain on disposal of subsidiary	<u>17,147</u>
	<u>1,000</u>
Satisfied by:	
Cash consideration	<u>1,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 31 December 2019 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$135.970 million (2018: approximately HK\$264.242 million), representing a decrease of approximately 48.54% compared to the same period last year. The decrease was mainly due 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) (“**Edward Hospital**”).

Selling and distribution expenses for the period under review amounted to approximately HK\$71.113 million (2018: approximately HK\$129.262 million), representing a decrease of approximately 44.99% compared to the same period last year. The decrease was due to the disposal of Zhuhai Jiulong Hospital and Edward Hospital.

Administrative expenses amounted to approximately HK\$54.963 million (2018: approximately HK\$60.762 million), decreased by approximately 9.54%. The decrease was due to the disposal of Zhuhai Jiulong Hospital and Edward Hospital.

The Group recorded a loss attributable to owners of the Company of approximately HK\$6.556 million for the period under review (2018: approximately HK\$22.392 million). The loss attributable to owners of the Company for the three months ended 31 December 2019 was approximately HK\$5.651 million (2018: attributable to owners approximately HK\$0.146 million).

Business Review and Outlook

General hospital services

During the nine months ended 31 December 2019, the Group operated two general hospitals in Jiaxing and Beijing, principally engaged in the provision of general 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 general hospitals for the nine months ended 31 December 2019 was approximately HK\$135.970 million (2018: approximately HK\$264.242 million by four general hospitals), representing a decrease of approximately 48.54% compared to the same period last year.

Future Prospects

2020 is the year when the major healthcare targets are supposed to be achieved by the country. The access to the quality and affordable healthcare services to treat some fast-growing chronic diseases is considered as the key to the implementation of Healthy China Plan (2019-2030). Another important fact is that China has become one of the largest counties with more than 249 million seniors who depend on accessible and adequate healthcare. Approximately 180 million of them require special medical treatment for chronic diseases. As a result, the increasing demands are the driving forces to improve and to expand the existing healthcare infrastructures, including hospitals, clinics and testing facilities across the country. The latest statistics indicate that both the hospital numbers and patient visits have gone up. The Company has realized that the healthcare industry shows more potential for both financial and technological investments in the country in accordance with the economic targets of the country by the end of 2020. As such, the management foresees more opportunities to expand our services through the general and specialized medical models and is confident that the Group is well poised to take advantage of the favorable situations in the country.

The Company has established extensive international collaboration with the world leading medical institutions and service organizations to adopt new approaches to treating acute and chronic diseases, ultimately introducing more advanced and affordable service delivery models. The new hospital in Putian, Fujian, China, is expected to be in operation in 2020, supported by the local government and the strategic partners. This new hospital will focus on the introduction of new treatment model for diabetes, the advanced medical services in the areas of pediatrics, women's wellbeing and care, geriatrics and other specialized medicines. Our existing hospitals will continue to improve the quality of services and introduce the new medical technologies in the present market. The Group considered 2020 as one of the important time for the expansion of our services and growth, and will continue to allocate more resources to seek for opportunities to further strengthen our capabilities and positions in the market in 2020.

Dividends

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2019 (2018: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Refurbishment of Edinburgh International Hospital

On 1 April 2019, Edinburgh Hospital Management (Putian) Company Limited# (愛丁堡醫院管理(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).

The refurbishment had been substantially completed in December 2019. Edinburgh International Hospital is in the course of obtaining the relevant licences for its operations.

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

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

Disclosure of Interests

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

As at 31 December 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 (“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 (<i>Note</i>)	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 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 Global Limited 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 Global Limited 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 31 December 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

As at 31 December 2019, other than the interests of a director or chief executive of the Company as disclosed in the paragraph headed "Directors' interests and short positions in 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 (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 (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. [#] (西藏恒業鋒實業 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 Global Limited 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 Global Limited 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 Global Limited 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 (Hong Kong) Limited is interested in 343,217,539 shares of the Company. The issued share capital of New Hope International (Hong Kong) Limited 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 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 (Hong Kong) Limited is interested in under 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 31 December 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 SCHEME

No share option has been granted, exercised, cancelled or lapsed under the share option scheme for the nine months ended 31 December 2019. As at 31 December 2019, there was no outstanding share option.

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.

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

During the period under review, there were no purchases, sales or redemptions of the Company’s listed securities by the Company or any of its subsidiaries.



DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 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 Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 nine months ended 31 December 2019.

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors subsequent to the six months ended 30 September 2019 are set out below:

Mr. Lau Tak Kei Arthur (“**Mr. Lau**”) has been appointed as an independent non-executive Director with effect from 4 October 2019. Mr. Lau has been appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee.

Dr. Liu Chenli (“**Dr. Liu**”) has been re-designated as a non-executive Director with effect from 4 October 2019. Dr. Liu has resigned as a member of each of the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee.

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 nine months ended 31 December 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 comprises 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 auditors of the Company, but were 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, 14 February 2020