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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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.*

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2020 is as follows:

- Revenue was approximately HK$144.591 million (2019: approximately HK$326.926 million), representing a decrease of approximately 55.77% as compared with last year.

- Gross profit was approximately HK$60.997 million (2019: approximately HK$142.803 million), representing a decrease of approximately 57.29% as compared with last year.

- The operating loss from the operation was approximately HK$48.579 million (2019: approximately HK$44.529 million). Net loss attributable to owners of the Company was approximately HK$49.504 million (2019: net loss of approximately HK$50.356 million). The loss was mainly due to an impairment loss on goodwill for the year ended 31 March 2020.

- The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Good Fellow Healthcare Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Revenue	*5*	**144,591**	326,926
Cost of sales		**(83,594)**	(184,123)
Gross profit		**60,997**	142,803
Other revenue	*6*	**2,582**	746
Other loss and gain, net	*7*	**(1,440)**	25
Provision of impairment loss recognised in respect of trade and other receivable		**(79)**	(2,323)
Gain on disposal of subsidiaries, net		**4,133**	746
Selling and distribution expenses		**(31,764)**	(67,016)
Administrative expenses		**(67,667)**	(85,005)
Fair value loss on financial assets at fair value through profit or loss		**(1,356)**	(867)
Impairment loss on goodwill		**(13,985)**	(32,214)
Loss on early redemption of promissory note		**–**	(1,424)
Loss from operations		**(48,579)**	(44,529)
Finance costs	*9*	**(7,137)**	(1,536)
Loss before taxation	*8*	**(55,716)**	(46,065)
Taxation	*10*	**(1,088)**	(4,252)
Loss for the year		**(56,804)**	(50,317)
Loss for the year attributable to:			
Owners of the Company		**(49,504)**	(50,356)
Non-controlling interests		**(7,300)**	39
Loss for the year		**(56,804)**	(50,317)

	Notes	**2020** HK$'000	2019 HK$'000
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(3,704)**	(12,522)
Items that were reclassified to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		**(2,313)**	(8,636)
Other comprehensive loss for the year, net of tax		**(6,017)**	(21,158)
Total comprehensive loss for the year		**(62,821)**	(71,475)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(54,387)**	(68,182)
Non-controlling interests		**(8,434)**	(3,293)
		(62,821)	(71,475)
Loss per share attributable to owners of the Company			
– Basic and diluted (HK cents per share)	*11*	**(1.76)**	(1.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**80,328**	38,454
Right-of-use assets		**12,601**	–
Deposit for property, plant and equipment		**–**	3,366
Goodwill		**6,108**	20,093
Finance lease receivables		**3,580**	–
		102,617	61,913
Current assets			
Inventories		**2,041**	8,150
Trade and other receivables and deposits	*13*	**18,336**	34,437
Finance lease receivables		**4,020**	–
Financial assets at fair value through profit or loss		**716**	2,072
Cash and cash equivalents		**55,441**	126,830
		80,554	171,489
Current liabilities			
Trade and other payables	*14*	**34,449**	61,901
Lease liabilities		**6,435**	–
Amounts due to non-controlling shareholders		**–**	180
Tax payables		**66**	324
		40,950	62,405
Net current assets		**39,604**	109,084
Total assets less current liabilities		**142,221**	170,997

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Deferred revenue		**55,699**	23,387
Lease liabilities		**14,755**	–
		70,454	23,387
Net assets		**71,767**	147,610
EQUITY			
Capital and reserves			
Share capital		**29,168**	29,168
Reserves		**48,257**	102,644
Equity attributable to owners of the Company		**77,425**	131,812
Non-controlling interests		**(5,658)**	15,798
Total equity		**71,767**	147,610

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 ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate controlling party is Mr. Ng Chi Lung, who is also the Chairman and Executive Director of the Company. The registered office of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902 Grand Cayman, KYI-1103, Cayman Islands (with effect on 1 April 2020). 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 consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("**RMB**"). The consolidated financial statements are presented in thousands of units of HK$ (**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 People's Republic of China (the "**PRC**").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company has applied, for the first time, the following new and amendments to HKFRS and interpretations ("**new and amendments to HKFRSs**") issued by the HKICPA, which are effective for the Company's financial year beginning 1 April 2019. A summary of the new and amendments to HKFRSs are set out as below:

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

Except as described below, for the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

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

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 standard 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 April 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 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. 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) elected not to recognise right-of-use assets and lease liabilities for lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) 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;

(iv) 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;

(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 option.

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 incremental borrowing rates applied by the relevant group entities range from 7.5% to 10.0%.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitment disclosed as at 31 March 2019	147,263
Lease liabilities discounted at relevant incremental borrowing rates	144,890
Less: Recognition exemption-short term lease	(177)
Lease liabilities as at 1 April 2019	144,713
Analysed as:	
Current lease liabilities	24,802
Non-current lease liabilities	119,911
	144,713

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 1 April 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Subleases

At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date. All leased properties under subleases of HK$11,708,000 as at the date of initial application were classified as finance leases.

The carrying amount of right-of-use assets for own use and those under subleases (classified as finance lease receivables) as at 1 April 2019 comprises the following:

	Right-of-use assets *HK$'000*	Finance lease receivables *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	144,713	–
Derecognised the right-of-use assets relating to the head lease that is transfers to the sub-lease and recognised a finance lease receivables	(11,708)	11,708
	133,005	11,708

Effective 1 April 2019, a leased properties which were recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 March 2019 *HK$'000*	Adjustments *HK$'000*	Carrying amount under HKFRS 16 at 1 April 2019 *HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Non-current assets			
Right-of-uses assets	–	133,005	133,005
Finance lease receivables	–	7,600	7,600
Current assets			
Finance lease receivables	–	4,108	4,108
Current liabilities			
Lease liabilities	–	24,802	24,802
Non-current liabilities			
Lease liabilities	–	119,911	119,911

New and amendments to HKFRSs that have been issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKAS 1 and HKAS 8 (Amendments)	Definition of a Material[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]
HKRFS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 16	Covid-19-Related Rent Concessions[5]

1 *Effective for annual periods beginning on or after 1 January 2020.*

2 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the annual period beginning on or after 1 January 2020.*

3 *Effective for annual periods beginning on or after 1 January 2021.*

4 *Effective for annual periods beginning on or after a date to be determined.*

5 *Effective for annual periods beginning on or after 1 June 2020.*

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendment, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") and by the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for certain financial assets (including derivative financial instruments) and investment properties that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration of given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

Information reported internally to the chief operating decision maker ("**CODM**") 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.

Accordingly, the Group does not present separately segment information. No analysis of the Group's results by type of works nor assets and liabilities is regularly provided to the CODM for review. In addition, all of the Group's revenue is generated in PRC and all of the Group's assets and liabilities are mainly located in PRC. Accordingly, no business or geographical segment information is presented.

Geographical information

The Group principally operates in PRC, also the place of domicile. All revenue are derived from PRC based on the location of services delivered and the Group's property, plant and equipment are all located in PRC.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contract with customers recognised at a point in time:		
Provision of general hospital services	**144,591**	326,926

All revenue contracts are for one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed.

6. OTHER REVENUE

	2020	2019
	HK$'000	*HK$'000*
Finance lease interest income	**702**	–
Bank interest income	**1,717**	469
Sundry income	**163**	277
	2,582	746

7. OTHER LOSS AND GAIN, NET

	2020	2019
	HK$'000	*HK$'000*
Exchange loss	**–**	(103)
(Loss)/gain on disposal of property, plant and equipment	**(337)**	128
Loss on written-off at property, plant and equipment	**(1,103)**	–
	(1,440)	25

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
Directors' remuneration	**5,905**	6,102
Other staff's retirement benefits scheme contributions	**4,983**	10,674
Other staff costs	**57,925**	73,430
	68,813	90,206
Auditors' remuneration		
– Audit services	**450**	450
– Non-audit services	**138**	250
Loss on early redemption of promissory note	**–**	1,424
Fair value loss on financial assets at fair value through profit or loss	**1,356**	867
Impairment loss on goodwill	**13,985**	32,214
Impairment loss recognised in respect of trade and other receivables, deposit, net	**79**	2,323
Cost of inventories sold	**38,444**	93,821
Amortisation of prepaid lease payments	**–**	827
Depreciation of property, plant and equipment	**9,510**	22,669
Depreciation of right-of-use assets	**16,640**	–
Loss on modification of lease	**173**	–
Operating lease rentals in respect of land and buildings	**724**	20,292

9. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings	**–**	408
– promissory notes	**–**	1,056
– lease liabilities	**7,137**	–
	7,137	1,536

10. TAXATION

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate. Provision on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax	**1,088**	4,252

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rate regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits tax above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Group considered the amount involved upon implementation of the two-tiered profits tax rate as insignificant to the consolidation financial statement. Hong Kong Profits Tax is calculated at 16.5% for both years. No tax is payable for the year ended 31 March 2020 (2019: HK$Nil) since there were no assessable profit generated in Hong Kong.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

(a) Basic

	2020	2019
	HK$'000	*HK$'000*
Loss attributable to holders of ordinary shares of the Company	**(49,504)**	(50,356)
Weighted average number of ordinary shares in issue *('000)*	**2,818,250**	2,818,250

(b) Diluted

For the year ended 31 March 2020 and 2019, diluted loss per share is the same as the basic loss per share.

12. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK$Nil).

13. TRADE RECEIVABLES

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

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**–**	2,163
91 to 180 days	**–**	414
181 to 365 days	**–**	81
Over 365 days	**–**	1,150
	–	3,808

14. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**3,077**	7,713
91 to 180 days	**–**	1,895
181 to 365 days	**949**	2,783
Over 365 days	**27**	2,426
	4,053	14,817

The average credit period on purchases of certain goods is in range from 30 to 90 days.

BUSINESS REVIEW

The Group is principally engaged in the provision of general hospital services in the PRC.

Revenue

The Group recorded revenue of approximately HK$144.591 million (2019: approximately HK$326.926 million) for the year ended 31 March 2020, a decrease of approximately 55.77% as compared with last year.

General hospital services

During the year ended 31 March 2020, the Group operated three general hospitals in Jiaxing, Zhuhai, and Beijing respectively in the PRC (2019: four general hospitals in Chongqing, Jiaxing, Zhuhai, and Beijing), and was principally engaged in the provision of general hospital services, including but not limited to medical wards, surgical wards, medical checkup and examination. The management envisaged more diversified hospital services being readily available to satisfy various needs of the public in the next few years, from the common illness treatments to the treatments of special and difficult diseases. Therefore, the Group will continue to allocate resources to develop such services either from our existing hospitals or through collaboration with strategic partners.

Other revenue

Other revenue, primarily including bank interest income, and sundry income amounted to approximately HK$2.582 million (2019: approximately HK$0.746 million) for the year ended 31 March 2020.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of (1) salaries and wages of sales and marketing personnel, (2) rental expenses, and (3) transportation expenses. For the year ended 31 March 2020, selling and distribution expenses amounted to approximately HK$31.764 million (2019: approximately HK$67.016 million), representing a decrease of approximately 52.60% as compared with last year, which was due to the disposal of Zhuhai Jiulong Hospital and Edward Hospital.

Administrative expenses

Administrative expenses for the year ended 31 March 2020 amounted to approximately HK$67.667 million (2019: approximately HK$85.005 million), representing a decrease of approximately 20.40% as compared with last year. It was due to the disposal of Zhuhai Jiulong Hospital and Edward Hospital.

Finance costs

For the year ended 31 March 2020, the finance costs of the Group were approximately HK$7.137 million (2019: approximately HK$1.536 million), representing an increase of approximately 364.65% as compared with last year. It was due to the increase in interest expenses on lease liabilities.

Loss from operations attributable to owners of the Company

The Group recorded a net loss from the operation before taxation of approximately HK$55.716 million (2019: approximately HK$46.065 million), representing an increase as compared with last year. The loss was mainly attributable to impairment loss on goodwill of approximately HK$13.985 million recognised for the year ended 31 March 2020.

In April 2020, the management of the Company reviewed the management accounts for the eleven months ended 28 February 2020 and was of the view that the sales performance of Beijing Tongji Hospital Co., Limited ("**Beijing Tongji**") declined compare with last year. Since the outbreak of COVID-19, a majority of the department in Beijing Tongji have suspended operations. To tackle the threat to public health posed by the Pandemic, many countries have implemented lockdown measures to slow the spread of virus by reducing face to face human interaction, resulting in further pressure on Beijing Tongji profit performance. The management of the Company considered that impairment should be made to goodwill. As a result, an impairment loss on goodwill of approximately HK$13.985 million, was recognised for Beijing Tongji.

The acquisition of Beijing Tongji was completed in September 2016. For more details of the acquisition of the Beijing Tongji, please refer to the announcements of the Company dated 14 September 2016 and 30 September 2016.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 March 2020 (2019: Nil).

OUTLOOK AND FUTURE PROSPECTS

The Group will continue to assess the impact of COVID-19 on the Group's operations and financial performance, closely monitor the Group's exposure to the risks and uncertainties in connection with COVID-19 on an ongoing basis, and will strengthen the cost savings initiatives in view of the challenging conditions. There is still a possibility of economic downturn in China and an uncertainty about the impact of the outbreak of the Coronavirus Disease 2019 ("COVID-19") on the economy, the Group holds a positive and optimistic attitude about the prospects of the healthcare industry in China. Looking forward to the financial year ahead, the management is confident in the prospects of the increasing needs and marketing demands for quality and focused medical services. Those will continue to fuel the growing trends to improve the quality and bring more advanced technologies and procedures to the market. While we continue to improve the existing service standard and provide medical services that are required by local communities, we intend to work closely with the leading healthcare providers and educational institutions in the world to ensure we are adequately equipped to take the advantage of the promising market opportunities in China.

The management believes that it is important to keep an open mind for the exploration of newly developed medical technologies and procedures to address the diversified local needs from the communities where our hospitals are. Again, chronical disease treatment and management have become a priority because of the size of the market and the stressed focus by the central government. The management has already planned to get involved in this area and the preliminary results have confirmed the value and potentials of further development. The management is optimistic about the upcoming year in terms of the fast growth and efficient integration of our resources to accomplish the expected goals.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and cash equivalents of approximately HK$55.441 million as at 31 March 2020 (2019: approximately HK$126.830 million).

The Group recorded total current assets of approximately HK$80.554 million as at 31 March 2020 (2019: approximately HK$171.489 million) and total current liabilities of approximately HK$40.950 million as at 31 March 2020 (2019: approximately HK$62.405 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.967 as at 31 March 2020 (2019: approximately 2.748).

As at 31 March 2020, the Group's gearing ratio was not applicable based on outstanding debts (comprising bank borrowings, convertible note and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Group) (2019: N/A).

CAPITAL COMMITMENTS

As at 31 March 2020 and 2019, the Group had no material capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2020 and 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.

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.

FOREIGN EXCHANGE RISK

Since 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, the Directors consider the Group's risk exposure to currency fluctuations to be minimal. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

CHARGES ON GROUP'S ASSETS

As at 31 March 2020 and 2019, the Group had no bank borrowings.

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from provision of general hospital services. Financial information in respect of these operations is presented in Note 5.

CAPITAL STRUCTURE

As at 31 March 2020, the total issued share capital of the Company was approximately HK$29.168 million (2019: approximately HK$29.168 million) divided into 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2019: 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK$0.01 (2019: HK$0.01) each.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 233 (2019: 720) full time employees (including Directors) as shown in the following table:

Location	Number of Staff
Hong Kong	18
PRC (including cities of Putian, Shenzhen and Beijing)	215

For the year ended 31 March 2020, staff costs (including Directors emoluments) amounted to approximately HK$68.813 million (2019: approximately HK$89.121 million). The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Group also adopted employee share option schemes to provide eligible employees a performance incentive for continuous and improved services with the Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership. As at 31 March 2020 and 2019, there were no outstanding share options granted under the share option schemes.

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$45,427,000).

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$29,538,000).

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 2 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 "**Sino Brave Disposal**").

Completion of the Sino Brave Disposal took place on 31 August 2019. Upon completion, the Sino Brave Group ceased to be subsidiaries of the Company. The financial results of the Sino Brave Group will no longer be consolidated into the consolidated financial statements of the Company following completion.

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), an indirect 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$3,192,000) 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.

Disposal of the entire issued share capital of Merry Sky

On 23 March 2020, Ally Health as vendor and Mr. Lin Guofeng# (林國鋒先生) as purchaser entered into the disposal agreement, pursuant to which, Ally Health conditionally agreed to sell and Mr. Lin Guofeng conditionally agreed to purchase the entire issued share capital of Merry Sky Investments Limited ("**Merry Sky**", together with its subsidiaries, the "**Merry Sky Group**"), at the consideration of HK$11 million (the "**Merry Sky Disposal**").

Completion of the Merry Sky Disposal took place on 30 March 2020. Upon completion, the Merry Sky Group ceased to be subsidiaries of the Company. The financial results of the Merry Sky Group will no longer be consolidated into the consolidated financial statements of the Company following completion.

For more details, please refer to the announcement of the Company dated 23 March 2020.

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

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$245,450) (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, 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.# (海南博鼇超級醫院有限公司) 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# (愛丁堡大學博鼇國際糖尿病中心), 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# (博鼇樂城先行區) to enjoy medical tourism services, and to promote the development of super hospitals and pilot zone.

Possible acquisition in Changzhou

On 13 March 2020, Ally Health as the intended purchaser, and Deng Ruibao# (鄧瑞寶) as the intended vendor, entered into the non-legally binding memorandum of understanding, pursuant to which, Ally Health intends to acquire and Deng Ruibao intends to dispose of not less than 70% of the equity interest in Changzhou Shuguang Medical Beauty Hospital Limited# (常州曙光醫療美容醫院有限公司).

For more details, please refer to the announcement of the Company dated 13 March 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

During the year ended 31 March 2020, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the "**CG Code**") (effective from 1 April 2012) as stated in Appendix 15 of the the GEM Listing Rules.

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 of the Company on 21 June 2019, the Company has complied with the code provisions in the CG Code contained in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of code for the required standard of dealings in securities by directors of the Company 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 enquiries of directors of the Company and the Directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance for the year ended 31 March 2020.

Audit Committee

The Company established the audit committee of the Company (the "**Audit Committee**") on 2 November 2001, with written terms of reference compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and is disclosed on the Company's website. The Audit Committee is comprised of three independent non-executive Directors, namely, 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 to ensure the adequacy and effectiveness of the accounting and financial controls of the Group; to oversee the performance of risk management and internal control systems and financial reporting process; and to monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

During the year ended 31 March 2020, four meetings were held.

The main duties of the Audit Committee during the year include:

(a) reviewing the Group's audited annual and unaudited interim and quarterly results and reports and considering any significant or unusual items before submission to the Board;

(b) reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors;

(c) reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and

(d) advising on material even or drawing the attention of the management on related risks.

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the reappointment of external auditors.

The Group's audited consolidated financial results for the year ended 31 March 2020 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

APPRECIATION

On behalf of the Board, I would like to thank our customers, suppliers, business partners for their support. Also, I would like to offer my highest gratitude to our shareholders for their devotion and to our employees for their loyalty and contributions made during the year.

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

Hong Kong, 19 June 2020

The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.

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$1.092. 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 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 be published on the GEM website at http://www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of publication and on the Company's website at http://www.gf-healthcare.com.