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**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)**

**MAJOR TRANSACTION IN RELATION TO  
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST OF  
THE TARGET COMPANY**

**Financial adviser to the Company**



**INCUC Corporate Finance Limited**

**THE DISPOSAL**

On 23 August 2021 (after trading hours), the Vendor, an indirect non wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser, pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Interest, representing the entire equity interest of the Target Company.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following Completion.

## **GEM LISTING RULES IMPLICATIONS**

As one or more of the relevant percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Disposal Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Disposal. Mr. Ng, an executive Director and a controlling Shareholder, together with his controlled corporation, namely Solar Star, are holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the date of this announcement. Pursuant to Rule 19.44 of the GEM Listing Rules, Mr. Ng and Solar Star have given a written approval to approve the Disposal Agreement and the transactions contemplated thereunder. Accordingly, the written approval from Mr. Ng and Solar Star will be accepted in lieu of holding a general meeting of the Company for approval of the Disposal Agreement and the transactions contemplated thereunder.

## **GENERAL**

A circular of the Company containing, among other matters, further details of the Disposal Agreement and the transactions contemplated thereunder, and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 13 September 2021.

**Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent set out in the Disposal Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.**

## **THE DISPOSAL**

On 23 August 2021 (after trading hours), the Vendor, an indirect non wholly-owned subsidiary of the Company, entered into the Disposal Agreement which was executed by the Purchaser on 30 July 2021, pursuant to the Disposal Agreement, the agreement only takes effect when both parties thereto have executed the same, i.e. 23 August 2021.

## **The Disposal Agreement**

Set out below are the principal terms of the Disposal Agreement:

**Date:** 23 August 2021

### **Parties**

**Vendor:** Edinburgh International Hospital Management Limited (愛丁堡國際醫院管理有限公司), an indirect wholly-owned subsidiary of Edinburgh International (being an indirect non wholly-owned subsidiary of the Company)

**Purchaser:** Fujian Pu Yang Hu Lan Investment Co., Ltd.\* (福建莆陽壺瀾投資有限責任公司)

The Vendor is a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of Edinburgh International (being an indirect non wholly-owned subsidiary of the Company). The Vendor is an investment holding company.

The Purchaser is a company established in the PRC with limited liability, which is an indirectly wholly-owned subsidiary of the State-Owned Assets Supervision and Administration Commission of the People's Government of Putian\* (莆田市人民政府國有資產監督管理委員會). According to the business registration licence of the Purchaser, the Purchaser is principally engaged in investment business, provision of supply chain management service, trade broker and agency services, economic and trade consulting, information consulting service, sales of coal and related products, sales of agricultural by-products, wholesale and retail of agricultural products and food business operation (sales of bulk food and prepackaged food).

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

### **Assets to be disposed of**

Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Interest, representing the entire equity interest of the Target Company.

## **Consideration and Advancement**

The Consideration for the sale and purchase of the Sale Interest is nil.

However, according to the Disposal Agreement, the Purchaser shall provide the Advancement in the sum of RMB32 million (equivalent to approximately HK\$38.4 million) to the Target Company immediately prior to Completion for the settlement of the outstanding debts of the Target Group. In the event that the outstanding debts of the Target Group exceed RMB32 million, the parties to the Disposal Agreement agreed that the shortfall shall be borne by the Vendor. It is expected that the outstanding debts of the Target Group immediately prior to the Completion will not exceed RMB32 million.

The Consideration and the Advancement were determined between the Vendor and the Purchaser after arm's length negotiation and on normal commercial terms, with reference to (i) the financial position of the Target Group which recorded net liability of approximately HK\$26 million as at 30 June 2021; (ii) the cash flow position and the need for immediate settlement of the outstanding debts of the Target Group as described under the section headed "Reasons for and benefits of the Disposal and use of proceeds" below; (iii) the current and future prospects of the Target Group; and (iv) the benefits to the Group from the Disposal as described under the section headed "Reasons for and benefits of the Disposal and use of proceeds" below.

The Directors are of the view that the consideration payable by the Purchaser under the Disposal Agreement shall be the sum of the Consideration and the Advancement. Despite the Advancement will be directly paid to the Target Company to settle its debts, the Directors consider that such advancement arrangement will mitigate the legal liabilities of the Vendor while maintaining the reputation of the Target Hospital.

Having considered the above, the Board considers that the Consideration in conjunction with the Advancement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent**

Completion shall be conditional upon and subject to the satisfaction of the following conditions:

- (1) all necessary approvals by its shareholders and authorised persons required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;
- (2) all necessary consents and approvals required to be obtained on the part of the Vendor in accordance with the GEM Listing Rules in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained; and
- (3) the change in shareholder registration with the industrial and commercial registration authority having been completed; and the Purchaser has been registered as a shareholder of the Target Company and the Target Company has obtained a domestic enterprise business license.

All the conditions precedent are incapable of being waived. If the conditions precedent set out above have not been satisfied on or before 15 September 2021, the Disposal Agreement shall cease and determine. Thereafter, neither party shall have any obligations and liabilities towards each other under the Disposal Agreement save for any antecedent breaches of the terms thereof.

## **Completion**

Completion shall take place upon the fulfilment of all the above conditions precedent.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following Completion.

## **INFORMATION OF THE TARGET GROUP**

As at the date of this announcement, the Target Group consists of (i) the Target Company; and (ii) the Target Hospital.

The Target Company is an investment holding company established in the PRC with limited liability, which is directly wholly-owned by the Vendor.

The Target Hospital is a company established in the PRC with limited liability, which is wholly-owned by the Target Company, and is principally engaged in the provision of general hospital services.

Set out below is a summary of the key financial data of the Target Group based on the unaudited consolidated management accounts for the two financial years ended 31 March 2021:

	<b>For the year ended 31 March 2020 <i>(unaudited)</i> HK\$'000</b>	<b>For the year ended 31 March 2021 <i>(unaudited)</i> HK\$'000</b>
Revenue	153	755
(Loss) before tax	(10,737)	(21,227)
(Loss) after tax	(10,737)	(21,227)

The unaudited net liabilities of the Target Group as at 30 June 2021 was approximately HK\$26.0 million.

## **FINANCIAL EFFECT OF THE DISPOSAL**

It is estimated that the Company will record a gain of approximately HK\$25.1 million (after deducting the estimated professional fees and other related expenses of approximately HK\$900,000) on the Disposal, after taking into account the consideration and the unaudited net liability value of the Target Group of approximately HK\$26.0 million as at 30 June 2021. The actual gain or loss to be recorded by the Company depends on the net asset/liability value of the Target Group as at the date of the Completion, which is subject to final audit to be performed by the auditors of the Company.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

The Company is an investment holding company incorporated in the Cayman Islands as an exempted company with limited liability. The Group is principally engaged in the provision of general hospital services in the PRC.

As disclosed in the announcement of the Company dated 26 September 2018 and 12 October 2018, Edinburgh International (being (i) indirectly owned as to 75% by the Company and directly owned as to 25% by the University Court of the University of Edinburgh and (ii) being the holding company of the Vendor) and a wholly-owned subsidiary of the People's Government of Putian had entered into a Cooperation Agreement in relation to the Target Hospital, pursuant to which the People's Government of Putian agreed to provide subsidies for the refurbishment and establishment of the Target Group. Accordingly, the People's Government of Putian had provided subsidies in the aggregate sum of approximately RMB66.76 million (equivalent to approximately HK\$80.11 million) to the Target Group for such purpose. After the establishment of the Target Hospital, Edinburgh International shall be responsible for the operation of the Target Hospital and shall, at its own costs, (a) establish a medical training centre in the hospital; and (b) procure medical lecturers from overseas, who shall be responsible for preparing the training materials and providing on-the-job training and clinical skills training at the medical training centre.

The People's Government of Putian aimed to establish a reputable international hospital in the region through the cooperation. The subsidies provided by the People's Government of Putian include the rent concession for the hospital premises and cash subsidies for the refurbishment and establishment of the hospital. As disclosed in the circular of the Company dated 24 May 2019, the Company targeted to commence trial run of the Target Hospital by early third quarter of 2019. However, the commencement of operation of the Target Hospital was postponed due to delay in the refurbishment plan of the Target Hospital. The Target Hospital has subsequently obtained the medical licence for its operations and commenced the operation on 17 July 2020. Due to the outbreak of COVID-19, the Target Group recorded minimal turnover since then and was unable to cover its fixed costs and Edinburgh International had faced difficulty in raising funds to support the operations of the Target Group as well as difficulty in recruiting experienced medical, research and training staff to the Target Group from overseas as scheduled, which had impact on the operations of the Target Hospital, and led to poor financial results of the Target Group for the year ended 31 March 2021. The Company had provided funding for the operations of the Target Hospital through injection of the subscription monies to the operating subsidiaries of the Edinburgh International as mentioned in the announcement of the Company dated 5 October 2020. In February 2021, certain of the construction fees and renovation fees payable by the Target Hospital were overdue. As a result of the loss position of the Target Hospital since the

commencement of its operation, the Target Group was unable to settle the construction fees, which led to the construction workers raising a dispute at the hospital premises in February 2021. The dispute and tension of the creditors and the Target Hospital were slackened after the intervention of the People's Government of Putian and/or the Purchaser.

To better protect the reputation of the Target Hospital, the People's Government of Putian had assigned the Purchaser to oversee the operations and management of the Target Group since 17 March 2021. The Purchaser has also advanced funds to the Target Hospital in order to maintain its operations and to pay off the daily expenses of the Target Hospital. The Purchaser had agreed to assist the Target Group to take necessary measures to maintain the normal operations of the Target Group.

In light of (i) the poor financial performance of the Target Group and the net liabilities position of the Target Group; (ii) the vision and mission of the People's Government of Putian could not be achieved; and (iii) the Target Hospital failed to meet the performance target set out in the Cooperation Agreement for its entitlement of the government subsidies, the People's Government of Putian has the right to demand the Target Group to refund all the subsidies it has paid to the Target Group pursuant to the Cooperation Agreement.

Accordingly, the People's Government of Putian had requested that the Target Group be transferred to them at nil consideration, and in return, they would provide the Advancement to settle all the outstanding debts of the Target Group. The Board having considered (i) the loss position and net liabilities position of the Target Group; (ii) the unsatisfactory financial performance of the Target Group and the Target Group is unlikely to generate a profit in the near future; (iii) the uncertainty on the duration of COVID-19 pandemic; (iv) the financial effect of the Disposal as mentioned above; and (v) the Advancement to be provided by the Purchaser under the Disposal Agreement will enable the Target Group to repay its debts and will mitigate legal liabilities of the Vendor while maintaining the reputation of the Target Hospital, the Target Group and the directors of the Target Group contrary to the circumstances that the Group continues to own and operate the Target Hospital as explained below, are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

The Vendor had considered different options available such as injection of further capital and disposal to other buyers. In light of the current market sentiment, it is difficult to secure a buyer (with the consent of the People's Government of Putian) in the short to medium term. If the Disposal does not take place, the Group needs to inject further funding to the Target Group to support the operation and settle the outstanding debts since the Vendor, being an investment holding company, does not carry-on business. However, in view of the reasons as mentioned in the paragraph above, the Group considers that it is a better option to dispose of its investment in the Target Group to the People's Government of Putian and dedicate its resources to focus on its existing business instead of injecting further funding to the Target Group.

Moreover, the People's Government of Putian will be able to better allocate resources to the Target Group for its future development, in terms of (i) *funding*: the People's Government of Putian will have the financial means to support the operations of the Target Hospital; (ii) *patient source*: the reputation of the People's Government of Putian will increase patient influx; and (iii) *medical support and resources*: the People's Government of Putian will be able to make better allocation in terms of manpower and other resources. Hence, considering medical ethics and the duty of care owed to patients, the Board believes that the disposal of the Target Group to the Purchaser is more beneficial to the patients and future prospects of the Target Hospital as a whole.

Having considered the reasons of and benefits for the Disposal as mentioned above, the Directors are of the view that the terms of the Disposal Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Following completion of the Disposal, the Company will continue to operate its existing business, including the hospital in Beijing which provides a steady revenue stream, and development of international diabetes center in Hainan, the PRC which is operated by Edinburgh International Diabetes Hospital (Hainan) Co. Ltd, an indirect wholly-owned subsidiary of Edinburgh International and funded by a PRC investment company for the set-up and operation of the center and hence lowering the Group's investment cost while maximizing its return as disclosed in the announcement dated 18 August 2020. The international diabetes center aims to introduce clinical proof diabetes diagnosis and treatment technology from international experience to provide diabetes diagnosis and treatment programme in the PRC. The Directors will continue to (i) review the Group's existing business from time to time; (ii) seek investment and co-operation opportunities to further establish international diabetes centers under similar structure in different region in the PRC; and (iii) seek suitable investment opportunities in general hospital sector. As at the date of this announcement, the Group has not identified any specific potential targets for investment.

As the Advancement will be directly paid to the Target Company to settle its debts, the Vendor does not record any gross proceeds or net proceeds from the Disposal.



## **GEM LISTING RULES IMPLICATIONS**

As one or more of the relevant percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Disposal Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Disposal. Mr. Ng, an executive Director and a controlling Shareholder, together with his controlled corporation, namely Solar Star, are holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the date of this announcement. Pursuant to Rule 19.44 of the GEM Listing Rules, Mr. Ng and Solar Star have given a written approval to approve the Disposal Agreement and the transactions contemplated thereunder. Accordingly, the written approval from Mr. Ng and Solar Star will be accepted in lieu of holding a general meeting of the Company for approval of the Disposal Agreement and the transactions contemplated thereunder.

## **GENERAL**

A circular of the Company containing, among other matters, further details of the Disposal Agreement and the transactions contemplated thereunder, and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 13 September 2021.

**Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent set out in the Disposal Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Advancement”	the advancement in the sum of RMB32 million (equivalent to approximately HK\$38.4 million) made by the Purchaser to the Target Company for the settlement of the outstanding debts of the Target Group
“Board”	the board of the Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in the PRC throughout their normal business hours
“Company”	Good Fellow Healthcare Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8143)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Consideration”	the consideration for the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Cooperation Agreement”	the cooperation agreement dated 26 September 2018 entered into between Edinburgh International and Putian Medical Healthcare Investment Co., Ltd* (莆田市醫療健康產業投資有限公司), a company established in the PRC and wholly-owned by the People’s Government of Putian, pursuant to which the People’s Government of Putian shall provide subsidy for and Edinburgh International shall establish and operate the Target Hospital
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Interest by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional equity transfer agreement entered into between the Purchaser and the Vendor in relation to the Disposal, which takes effect on 23 August 2021

“Edinburgh International”	Edinburgh International Investments Ltd., a company incorporated in Scotland, the United Kingdom with limited liability, and an indirect non wholly-owned subsidiary of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party who is not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“Mr. Ng”	Mr. Ng Chi Lung, an executive Director and a controlling Shareholder, together with Solar Star are holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Fujian Pu Yang Hu Lan Investment Co., Ltd.* (福建莆陽壺瀾投資有限責任公司), a company established in the PRC with limited liability and wholly-owned by the People’s Government of Putian
“Sale Interest”	the entire equity interest of the Target Company
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Solar Star”	Solar Star Global Limited, a company incorporated in the British Virgin Islands with limited liability, and controlled by Mr. Ng. As at the date of this announcement, Solar Star is a controlling Shareholder, which is holding 1,680,459,460 Shares, representing approximately 59.63% of issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Edinburgh Hospital Management (Putian) Co., Ltd.* (愛丁堡醫院管理(莆田)有限公司), a company established in the PRC with limited liability
“Target Group”	the Target Company and its subsidiary
“Target Hospital”	Edinburgh Friendship Hospital Management (Putian) Co., Ltd.* (愛丁堡友好醫院管理(莆田)有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
“Vendor”	Edinburgh International Hospital Management Limited (愛丁堡國際醫院管理有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Edinburgh International
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 23 August 2021

\* *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\$1.20. 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 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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.*

*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>.*