
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Good Fellow Healthcare Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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金威医疗集团有限公司

Good Fellow Healthcare Holdings Limited

(formerly known as Hua Xia Healthcare Holdings Limited 華夏醫療集團有限公司)*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

Financial adviser to the Company



INCU Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 6 to 17 of this circular.

Pursuant to Rule 19.44 of the GEM Listing Rules, Mr. Ng and Solar Star have given written approval to approve the Disposal 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 and the transactions contemplated thereunder. This circular is being despatched to the Shareholders for information only.

24 May 2019

* For identification purpose only

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

| | |
|-----------------------------|---|
| “Board” | the board of Directors |
| “Business Day(s)” | a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “BVI” | British Virgin Islands |
| “Champion Hill” | Champion Hill Development Limited (晉峰發展有限公司), a company incorporated in Hong Kong with limited liability, and a direct wholly-owned subsidiary of the Target Company |
| “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 |
| “Completion Date” | a date falling on or before the third Business Day after the fulfilment (or as appropriate, waiver) of the conditions set out in the Disposal Agreement |
| “Consideration” | the consideration of HK\$1,000,000 payable by the Purchaser for the Disposal in accordance with the terms and conditions of the Disposal Agreement |
| “Cooperation” | the establishment and operation of Edinburgh International Hospital pursuant to the cooperation agreement dated 26 September 2018 with 莆田市醫療健康產業投資有限公司 (Putian Medical Healthcare Investment Co., Ltd [#]), being the representative of the Putian Government |
| “Cooperation Announcements” | the announcements of the Company dated 26 September 2018 and 12 October 2018 in relation to the Cooperation |
| “CSCEC Construction” | CSCEC Strait Construction and Development Co., Ltd (中建海峽建設發展有限公司), the independent construction and refurbishment company engaged by the Group for the refurbishment of Edinburgh International Hospital |

DEFINITIONS

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| “Director(s)” | director(s) of the Company |
| “Disposal” | the proposed disposal of the Sale Share by the Vendor to the Purchaser pursuant to the Disposal Agreement |
| “Disposal Agreement” | the conditional sale and purchase agreement dated 16 April 2019 entered into between the Purchaser and the Vendor relating to the Disposal |
| “Edinburgh Hospital Management” | 愛丁堡醫院管理(莆田)有限公司 (Edinburgh Hospital Management (Putian) Company Limited [#]), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Edinburgh International |
| “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 |
| “Edinburgh International Hospital” | a new hospital under the trade name of “Edinburgh International Hospital”, and to be established in Putian, Fujian, the PRC |
| “Edward Disposal” | the disposal of Hero Vision Group as disclosed in the circular of the Company dated 19 November 2018 and had been completed on 31 January 2019 |
| “Fujian Maidisen” | 福建邁迪森實業有限公司 (Fujian Maidisen Enterprises Company Limited [#]), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Hero Vision |

DEFINITIONS

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| “Fuzhou Huikang” | 福州匯康企業管理諮詢有限公司 (Fuzhou Huikang Enterprise Management Consultancy Limited [#]), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company |
| “Fuzhou Jiahui” | 福州嘉匯企業管理諮詢有限公司 (Fuzhou Jiahui Enterprise Management Consultancy Limited [#]), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company |
| “GEM” | GEM of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “Hero Vision” | Hero Vision Enterprises Limited (雄景企業有限公司), a company incorporated in the BVI with limited liability and was an indirect wholly-owned subsidiary of the Company prior to the completion of Edward Disposal |
| “Hero Vision Group” | Hero Vision and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the GEM Listing Rules) |
| “Latest Practicable Date” | 20 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Mr. Ng” | Mr. Ng Chi Lung, an executive Director and a controlling Shareholder, together with Solar Star were holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the Latest Practicable Date |

DEFINITIONS

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|---------------------|---|
| “PRC” | the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Purchaser” | Jing Hoi Ou Investment Limited (盈海澳投資有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party |
| “Putian Government” | the Putian Municipal People’s Government, the PRC |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Share” | 1 issued share of US\$1 in the share capital of the Target Company, being the entire issued share capital of the Target Company |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “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 BVI with limited liability, and controlled by Mr. Ng. As at the Latest Practicable Date, 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” | Sino Brave Investments Limited (比華投資有限公司), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Target Group” | the Target Company and its subsidiaries |
| “US\$” | United States dollar(s), the lawful currency of the United States of America |

DEFINITIONS

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| “Vendor” | Ally Health International Limited (康匯國際有限公司), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company |
| “Zhuhai Jiulong Hospital” | 珠海九龍醫院有限公司 (Zhuhai Jiulong Hospital Limited [#]), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company |
| “%” | per cent. |

[#] *The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

For the purposes of illustration only, amounts denominated in RMB in this circular have been translated into HK\$ at the rate of RMB1.00 = HK\$1.17. 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.

LETTER FROM THE BOARD



金威医疗集团有限公司

Good Fellow Healthcare Holdings Limited

(formerly known as Hua Xia Healthcare Holdings Limited 華夏醫療集團有限公司*)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

Executive Directors:

Mr. Ng Chi Lung

Dr. Jiang Tao

Mr. Zheng Gang

Independent non-executive Directors:

Ms. Wong Ka Wai, Jeanne

Dr. Lam Huen Sum

Mr. Liu Chenli

Registered office:

P.O. Box 10008

Willow House

Cricket Square

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Cayman Islands

*Head office and principal place of
business in Hong Kong:*

19/F, New Wing

101 King's Road

Hong Kong

24 May 2019

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY**

INTRODUCTION

Reference is made to the announcement of the Company dated 16 April 2019 in relation to the Disposal Agreement and the transactions contemplated thereunder.

* For identification purpose only

LETTER FROM THE BOARD

On 16 April 2019 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration of HK\$1,000,000.

The purpose of this circular is to provide you with, among other things, further details of the Disposal Agreement and the transactions contemplated thereunder, and other information as required to be disclosed under the GEM Listing Rules.

THE DISPOSAL AGREEMENT

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

Date: 16 April 2019

Purchaser: Jing Hoi Ou Investment Limited

Vendor: Ally Health International Limited, a wholly-owned subsidiary of the Company

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made reasonable enquiries, the Purchaser is wholly-owned by Mr. Lam Cheong Lon, a Macau resident and each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

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 Share, representing the entire issued share capital of the Target Company.

Consideration

The Consideration for the sale and purchase of the Sale Share is HK\$1,000,000 and shall be payable by the Purchaser in cash on Completion.

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiation and on normal commercial terms, with reference to (i) the financial performance of the Target Group; (ii) the current and future prospects of the Target Group; and (iii) the benefits to the Group from the Disposal as described under the paragraph headed "Reasons for and benefits of the Disposal and use of proceeds" in this section.

LETTER FROM THE BOARD

As disclosed in the paragraphs headed “Financial Summary of the Target Group” and “Reasons for and benefits of the Disposal and use of proceeds”, the Target Group was in a loss-making position in the past two financial years ended 31 March 2018 and 2019. It is expected that the deteriorating financial performance of the Target Group would not show a turnaround in foreseeable future. Hence, taking into account the net liability position of the Target Group, the Board considers that the Consideration can bring positive financial impact to the Group (as disclosed under paragraph headed “Financial effect of the Disposal”) after deducting the professional expenses to be incurred for the Disposal.

Having considered the above, the Board considers that the Consideration, which was arrived at after arm’s length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon and subject to the satisfaction or waiver (where applicable) of the following conditions:

- (a) the passing by the Shareholders at an extraordinary general meeting to be convened and held, or by written approval of the majority of the Shareholders, the necessary resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder;
- (b) all necessary consents, licenses and approvals required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (c) all necessary consents, licenses and approvals required to be obtained on the part of the Vendor in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (d) the representation and warranties given by the Vendor under the Disposal Agreement remaining true and accurate in all material respects; and
- (e) the representation and warranties given by the Purchaser under the Disposal Agreement remaining true and accurate in all material respects.

LETTER FROM THE BOARD

The Purchaser may at any time by notice in writing waive the condition (d) set out above. The Vendor may at any time by notice in writing waive the condition (e) set out above. Conditions (a), (b) and (c) set out above are incapable of being waived. The Vendor shall use its best endeavours to procure the fulfilment of the conditions (a), (c) and (d) set out above, and the Purchaser shall use its best endeavours to procure the fulfilment of the conditions (b) and (e) set out above.

If the conditions set out above have not been satisfied (or as the case may be, waived) on or before 4:00 p.m. on 30 September 2019, or such later date as the Vendor and the Purchaser may agree in writing, 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.

As at the Latest Practicable Date, save for condition (a) has been fulfilled, none of the above conditions precedent had been fulfilled.

Completion

Upon compliance with or fulfilment (or waiver) of all the above conditions, the Completion shall take place on the Completion Date.

INFORMATION OF THE GROUP, THE VENDOR AND THE PURCHASER

The Group

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.

The Vendor

The Vendor, a company incorporated in the BVI with limited liability, is a direct wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

The Purchaser

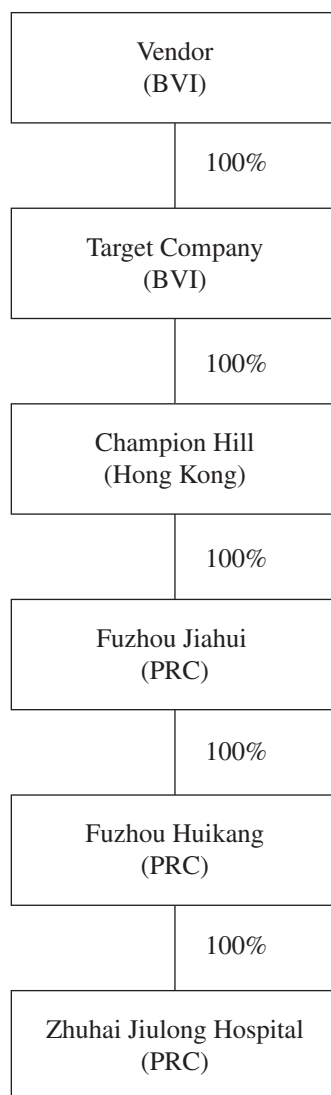
The Purchaser, a company incorporated in Hong Kong with limited liability and an Independent Third Party. The Purchaser is an investment holding company.

LETTER FROM THE BOARD

INFORMATION OF THE TARGET COMPANY

As at Latest Practicable Date, the shareholding structure of the Target Group was as follows:

The Target Group consists of (i) the Target Company; (ii) Champion Hill; (iii) Fuzhou Jiahui; (iv) Fuzhou Huikang; and (v) Zhuhai Jiulong Hospital.



The Target Company is an investment holding company incorporated in the BVI with limited liability, which is directly wholly-owned by the Vendor. Champion Hill is an investment holding company incorporated in Hong Kong with limited liability, which is directly wholly-owned by the Target Company.

LETTER FROM THE BOARD

Fuzhou Jiahui and Fuzhou Huikang are companies established under the laws of the PRC with limited liability. Both are investment holding companies. Fuzhou Huikang is directly wholly-owned by Fuzhou Jiahui, which is in turn directly wholly-owned by Champion Hill.

Zhuhai Jiulong Hospital is a company established under the laws of the PRC with limited liability, which is wholly-owned by Fuzhou Huikang. Zhuhai Jiulong Hospital is principally engaged in the operation of a privately-run hospital in the PRC. It provides comprehensive hospital services including preventive care, internal medicine, surgery, obstetrics and gynecology and cosmetic surgery.

As disclosed in the announcement of the Company dated 1 September 2014, Fuzhou Huikang and Zhuhai Jiulong Hospital were acquired by the Group (“**Zhuhai Jiulong Hospital Acquisition**”) pursuant to the acquisition agreement dated 1 September 2014. The consideration payable for the said acquisition was RMB37,941,305.25, and was satisfied by the Group assuming all the payment obligations and liabilities of the loan owed by the vendors of Zhuhai Jiulong Hospital Acquisition (the “**Previous Vendors**”) to Fujian Maidisen in stead and place of the Previous Vendors upon completion of Zhuhai Jiulong Hospital Acquisition.

FINANCIAL SUMMARY OF THE TARGET GROUP

Set out below is a summary of the key financial data of the Target Group based on the unaudited consolidated management accounts for the three financial years ended 31 March 2019:

| | For the year ended 31 March 2017 (unaudited) HK\$'000 | For the year ended 31 March 2018 (unaudited) HK\$'000 | For the year ended 31 March 2019 (unaudited) HK\$'000 |
|--------------------------|--|--|--|
| Revenue | 82,531 | 92,516 | 97,190 |
| Profit/(loss) before tax | 6,505 | (366) | (3,173) |
| Profit/(loss) after tax | 5,823 | (366) | (3,173) |

For the two years ended 31 March 2018 and 31 March 2019, the increase in revenue of the Target Group from the previous year were mainly attributable to the growth in stomatology business. In spite of that, the increase in operating costs and the selling and distribution expenses (as mentioned under the paragraph headed “Reasons for and benefits of the Disposal and use of proceeds”) outweigh the increase in revenue. Thus, the Target Group incurred a loss despite the increase in revenue.

The unaudited net liability value of the Target Group as at 31 January 2019 was approximately HK\$11,900,000.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

As at Latest Practicable Date, the Target Company is a wholly-owned subsidiary of the 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.

Assets and liabilities

Having taken into account the Consideration and the unaudited net liability value of the Target Group as at 31 January 2019, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK\$48.6 million. The total liabilities of Group will decrease by approximately HK\$61.1 million. It is estimated that the net assets of the Group will have an increase of approximately HK\$12.5 million, being the difference between the decrease in total assets and total liabilities of the Group.

Earnings

Based on the net proceeds from the Disposal of HK\$520,000 (after deducting of estimated professional fees and other related expenses of approximately HK\$480,000) and the Company's carrying value, being the unaudited net liability value of the Target Group, of the Sale Share of approximately HK\$11,900,000 as at 31 January 2019, it is estimated that the Company will record a gain of approximately HK\$12,420,000 as a result of the Disposal. 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 Completion Date, which is subject to final audit to be performed by the auditors of the Company.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The financial performance of the Target Group overturned from a profit for the year ended 31 March 2017 to a loss for the year ended 31 March 2018, which was mainly attributable to the surging selling and distribution expenses as a result of the increase in promotion expenses due to the change in the advertising environment (2018: approximately HK\$28.7 million and 2017: approximately HK\$20.8 million), where the Target Group had to conduct a series of online advertising campaign to promote the brand to potential patients. The competitive environment persisted thus the Target Group has continued to spend on the promotion campaigns. For the year ended 31 March 2019, the promotion expenses incurred by the Target Group was approximately HK\$28.9 million. The Target Group's unaudited financial results for the year ended 31 March 2019 continued to record a loss. The Directors considered that the market will remain competitive and expect to incur additional promotion expenses to maintain market competitiveness. Therefore, the Directors are of the view that the deteriorating financial performance would not show a turnaround in foreseeable future. The Directors also noted that the operation permit for Zhuhai Jiulong Hospital will expire in September 2019.

Upon completion of the Edward Disposal, the Target Group owed an interest free loan of approximately HK\$31,000,000 to Fujian Maidisen. The loan first arose in 2009 when Fujian Maidisen granted a facility to the then shareholders of the Zhuhai Jiulong Hospital for working capital purpose. Such intercompany loan was eliminated in the Group's consolidated statements of financial position after Zhuhai Jiulong Hospital Acquisition in 2014. The interest free loan has no fixed terms and is repayable on demand. In the course of negotiation of the Edward Disposal, the purchaser of Edward Disposal indicated that he would review the accounts and books of the Hero Vision Group after completion before coming up a settlement plan with the Company. Despite the fact that the Company did not have a concrete plan and/or discussion with the purchaser of Edward Disposal on the repayment of such loan prior to the completion of the Edward Disposal at the material times, the Company took the view that the Company could enter into the further negotiation and may be able to settle such loan by instalments some time after the Edward Disposal. Given that the purchaser of the Edward Disposal has initiated discussion with the management of the Group on the terms and repayment schedule of such loan shortly after completion of the Edward Disposal; after reviewing the financial position and the recent financial performance of the Target Group, the Directors considered that without injecting further funding to the Target Group, the Target Group is unable to repay the interest free loan in the event such loan is called upon.

LETTER FROM THE BOARD

Apart from realising the investment in the Target Group, the Directors have also considered other alternatives such as bank borrowing for the repayment of the loan owed to Fujian Maidisen. Given that the loss-making position in the past two financial years and the net liability position of the Target Group, the Target Group encountered difficulties in obtaining banking facilities to finance the repayment of the loan owed to Fujian Maidisen. Hence, in consideration of other factors discussed in this section, the Directors are of the view that realising the investment in the Target Group through the Disposal is the most appropriate way to free up resources to optimise the development of the Cooperation with the Putian Government regarding the establishment of Edinburgh International Hospital.

Moreover, the operation permit for Zhuhai Jiulong Hospital is due for renewal in September 2019. The management of Zhuhai Jiulong Hospital will commence the renewal process soon but is currently uncertain as to the outcome of the renewal. In or about early 2019, the Company started to liaise with the landlord and relevant government authority in preparing for the renewal of the operation permit for Zhuhai Jiulong Hospital. The existing land use right of the premises where Zhuhai Jiulong Hospital located at is for provisional hospital use but not for permanent hospital use. The existing operation permit granted to Zhuhai Jiulong Hospital is based on provisional hospital use building permit. There exists uncertainty whether Zhuhai Jiulong Hospital would be able to renew its operation permit based on the existing building permit. In order to renew the operation permit for Zhuhai Jiulong Hospital, Zhuhai Jiulong Hospital may be required to submit a building permit for permanent hospital use. The management of the Company has discussed with the landlord of the hospital premises in regards of the possibility to change the building permit for hospital use permanently and the landlord requires time to consider such change. This creates uncertainty for the renewal of the operation. Other than renewal of the operation permit, the management of the Company has also explored the possibility of relocating Zhuhai Jiulong Hospital in order to continue the operation of Zhuhai Jiulong Hospital. After deliberating the removal costs and the refurbishment costs, which will cost approximately HK\$40.95 million, the relocation plan for Zhuhai Jiulong Hospital seems not cost effective. In contemplating the demand for repayment of the loan owed to Fujian Maidisen in one lump sum, the Board considered that the Disposal which can realise the investment in the Target Group is in the interest and benefit of the Company and its Shareholders.

LETTER FROM THE BOARD

The Group's key future plan is to develop and establish Edinburgh International Hospital in the PRC through the Cooperation with the Putian Government, as disclosed in the Cooperative Announcements. As disclosed in the announcement of the Company dated 2 April 2019, Edinburgh Hospital Management entered into a refurbishment agreement with CSCEC Construction for the main refurbishment of Edinburgh International Hospital. The agreed budget for the main refurbishment works payable by Edinburgh Hospital Management pursuant to the refurbishment agreement is RMB41,600,000 (equivalent to approximately HK\$48,672,000). Balancing the future prospects and market landscape at Edinburgh International Hospital and Zhuhai Jiulong Hospital, the Group will dedicate its resources to focus on the establishment of the Edinburgh International Hospital instead of injecting further funding to the Target Group.

In view of the unsatisfactory financial performance for the year ended 31 March 2018 and the ten months ended 31 January 2019 and the Target Group's financial obligation, the Board intends to realise the Group's investment in the Target Group rather than devoting further resources to the Target Group. Moreover, the Group can discharge the loan due to Fujian Maidisen upon Completion, which will improve the financial position of the Group. It is expected that net proceeds from the Disposal of approximately HK\$520,000 will be used as general working capital of the Group.

Other than Zhuhai Jiulong Hospital, the Group has two hospitals in operation, which are located in Jiaxing ("**Jiaxing Hospital**") and Beijing ("**Beijing Hospital**") in the PRC. The operation permits for Jiaxing Hospital and Beijing Hospital will expire on 31 July 2021 and 31 December 2023 respectively. Both operation permits were renewed in the past 6 months, the Company did not encounter any significant difficulties in the renewal of the operation permits for Jiaxing Hospital and Beijing Hospital. Going Forward, Beijing Hospital will continue to carry on the general hospital business and enhance the internal quality control to maintain high-quality service while Jiaxing Hospital will focus and be specialising in plastic surgery business rather than providing general hospital services. In the past two years, plastic surgery business and gynecology business have accounted for about 90% and about 10% of Jiaxing Hospital's revenue, respectively. The Directors consider that such strategic move will enable Jiaxing Hospital to reduce costs as a whole as the high cost for maintaining gynecology business can be substantially cut down. As such, the Directors are of the view that such strategic move will improve the profitability of Jiaxing Hospital and will not affect the operation of Jiaxing Hospital. Given that the operation of Jiaxing Hospital and Beijing Hospital provide a steady revenue stream and operating income, the Company intends to continue to operate its existing business, including the development of Edinburgh International Hospital, and has no intention to downsize or terminate the existing business.

Edinburgh International Hospital shall comprise two buildings, of which four floors of one building of Edinburgh International Hospital shall commence trial run by early third quarter of 2019, being a pilot phase (the "**Pilot Phase**"). The Pilot Phase shall consist of outpatient clinics for family general practice. By October 2019, the scope of services will be expanded to inpatient services.

LETTER FROM THE BOARD

The Directors are of the view that, (i) taking into account the financial performance and future prospects of the Group, the Target Group would not show a turnaround in a foreseeable future; (ii) the Disposal can help improve the Group's financial performance by discharging the interest free loan owed by the Target Group upon Completion and enhancing general working capital of the Group; (iii) the Disposal will free up resources from the Target Group to optimise the development of the Cooperation with the Putian Government regarding the establishment of Edinburgh International Hospital; and (iv) the uncertainty in renewal of the operation permit for Zhuhai Jiulong Hospital would affect the financial performance of the Target Group in the near future. Accordingly, the Directors are of the view that the Disposal, and the terms of the Disposal Agreement (including the Consideration) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

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 Latest Practicable Date. Pursuant to Rule 19.44 of the GEM Listing Rules, Mr. Ng and Solar Star have given 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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment or waiver (as the case may be) 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.

Yours faithfully,

For and on behalf of the Board

Good Fellow Healthcare Holdings Limited

Ng Chi Lung

Chairman and Executive Director

I. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the two financial years ended 31 March 2017 and 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.gf-healthcare.com/>):

- third quarterly report of the Company for the nine months ended 31 December 2018 (pages 3 to 11)
<http://www3.hkexnews.hk/listedco/listconews/GEM/2019/0213/GLN20190213015.pdf>
- interim report of the Company for the six months ended 30 September 2018 (pages 3 to 26)
<http://www3.hkexnews.hk/listedco/listconews/GEM/2018/1113/GLN20181113063.pdf>
- first quarterly report of the Company for the three months ended 30 June 2018 (pages 3 to 8)
<http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0813/GLN20180813255.pdf>
- annual report of the Company for the financial year ended 31 March 2018 (pages 67 to 231)
<http://www.hkexnews.hk/listedco/listconews/GEM/2018/0628/GLN20180628085.pdf>
- annual report of the Company for the financial year ended 31 March 2017 (pages 73 to 247)
<http://www.hkexnews.hk/listedco/listconews/GEM/2017/0629/GLN20170629065.pdf>

II. INDEBTEDNESS

As at the close of business on 31 March 2019, the Group had no bank borrowings and no available banking facilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the Latest Practicable Date, the Group did not have outstanding any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

Contingent liabilities

As at the close of business on 31 March 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group had no material contingent liabilities outstanding.

Disclaimer

Save as aforesaid above, at the close of business on 31 March 2019, the Directors confirmed that the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, or any guarantees or any contingent liabilities. The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 March 2019.

III. WORKING CAPITAL

The Directors are of the opinion that taking into account the existing banking and other borrowing facilities available, the existing cash and bank balances and the effect of the Disposal, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

IV. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Group will continue to operate two hospitals in operation, which are located in Jiaxing and Beijing in the PRC. The operation of these two hospitals provide a steady revenue stream and operating income. The Directors will continue to review the Group's existing business from time to time. Nevertheless, currently the Company has no intention nor has the Company entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and any negotiation (whether concluded or not) with an intention to dispose of, downsize of or terminate the existing business of the Company.

Other than continuing the existing operations, the Group is making progress on the Cooperation. As disclosed in the announcement of the Company dated 2 April 2019, Edinburgh Hospital Management entered into a refurbishment agreement with CSCEC Construction for the main refurbishment of Edinburgh International Hospital. The agreed budget for the main refurbishment works payable by Edinburgh Hospital Management pursuant to the refurbishment agreement is RMB41,600,000 (equivalent to approximately HK\$48,672,000).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying shares of the Company

| Name of Director | Nature of interest | Total number of Shares and underlying shares of the Company | Approximate percentage of the issued share capital of the Company |
|------------------|------------------------------------|---|---|
| Mr. Ng Chi Lung | Personal interest (<i>Note</i>) | 59,000,000 | 2.09% |
| | Corporate interest (<i>Note</i>) | 1,680,459,460 | 59.63% |
| Dr. Jiang Tao | Personal interest | 9,300,000 | 0.33% |
| Mr. Zheng Gang | Personal interest | 6,044,000 | 0.21% |

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long position in the Shares and underlying shares of the Company

| Name | Capacity/Nature of interest | Number of Shares and underlying shares of the Company | Approximate percentage of the issued share capital of the Company |
|--|---------------------------------------|--|--|
| Solar Star Global Limited | Beneficial owner <i>(Note 1)</i> | 1,680,459,460 | 59.63% |
| Ms. Cheng Wai Yin | Interest of spouse <i>(Note 2)</i> | 1,739,459,460 | 61.72% |
| New Hope International (Hong Kong) Limited ("New Hope International") | Beneficial owner <i>(Note 3)</i> | 343,217,539 | 12.18% |

| Name | Capacity/Nature of interest | Number of Shares and underlying shares of the Company | Approximate percentage of the issued share capital of the Company |
|--|---|---|---|
| Southern Hope Enterprise Co., Ltd. [#] (南方希望實業有限公司) | Interest in controlled corporation (Note 3) | 343,217,539 | 12.18% |
| New Hope Group Co., Ltd. [#] (新希望集團有限公司) | Interest in controlled corporation (Note 3) | 343,217,539 | 12.18% |
| Tibet Hengye Feng Industrial Co., Ltd. [#] (西藏恒業峰實業有限公司) | Interest in controlled corporation (Note 3) | 343,217,539 | 12.18% |
| Mr. Liu Yonghao | Interest in controlled corporation (Note 3) | 343,217,539 | 12.18% |
| Ms. Liu Chang | Interest in controlled corporation (Note 3) | 343,217,539 | 12.18% |
| Ms. Li Wei | Interest of spouse (Note 4) | 343,217,539 | 12.18% |

Notes:

- (1) Solar Star is interested in 1,581,959,460 Shares (representing approximately 56.13% of effective voting rights) and 98,500,000 convertible preference shares (with no voting rights) of the Company. The issued share capital of Solar Star is owned as to 50% by Mr. Ng Chi Lung, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng Chi Lung is deemed to be interested in the Shares and the convertible preference shares in which Solar Star is interested in under Part XV of the SFO.
- (2) Ms. Cheng Wai Yin is the spouse of Mr. Ng Chi Lung. Ms. Cheng Wai Yin is deemed to be interested in the Shares and the convertible preference shares in which Mr. Ng Chi Lung is interested in under Part XV of the SFO.

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

Save as disclosed above and as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates (as defined in the GEM Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2018 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

- (1) the placing agreement dated 1 March 2018 and entered into between the Company as issuer and Kingston Securities Limited as placing agent, in relation to the placing, on a best effort basis, of 460,000,000 Shares at the placing price of HK\$0.1 per placing Share;
- (2) the joint venture agreement dated 8 March 2018 and entered into among Sino Business Investment Development Limited, a wholly-owned subsidiary of the Company, and the University Court of the University of Edinburgh and Edinburgh International (previously known as Future Health International (Scotland) Limited), in relation to the establishment of a joint venture using Edinburgh International to carry on the business in accordance with the joint venture agreement;

- (3) the cooperation agreement dated 26 September 2018 and entered into between Edinburgh International, a non wholly-owned subsidiary of the Company, and 莆田市醫療健康產業投資有限公司 (transliterated as Putian Medical Healthcare Investment Co., Ltd, “**Putian Medical**”), pursuant to which Putian Medical shall provide subsidy for and Edinburgh International shall establish and operate Edinburgh International Hospital;
- (4) the disposal agreement dated 30 October 2018 and entered into between Mr. Wong Yeuk Hung as purchaser and Ally Health International Limited as vendor, a wholly-owned subsidiary of the Company in relation to the disposal of the entire issued share capital of Hero Vision;
- (5) the refurbishment agreement dated 1 April 2019 and entered into between Edinburgh Hospital Management and CSCEC Construction for the main refurbishment of Edinburgh International Hospital at the cash consideration of RMB41,600,000 (equivalent to approximately HK\$48,672,000); and
- (6) the Disposal Agreement.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. from Monday to Friday) at the principal place of business of the Company in Hong Kong at 19/F, New Wing, 101 King’s Road, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2017 and 2018;
- (c) the first quarterly report of the Company for the three months ended 30 June 2018;
- (d) the interim report of the Company for the six months ended 30 September 2018;
- (e) the third quarterly report of the Company for the nine months ended 31 December 2018;
- (f) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix to this circular; and
- (g) this circular.

10. CORPORATE INFORMATION OF THE GROUP

| | |
|---|--|
| Registered office | P.O. Box 10008, Willow House Cricket Square, Grand Cayman KY1-1001, Cayman Islands |
| Head Office and Principal place of business in Hong Kong | 19/F, New Wing 101 King's Road Hong Kong |
| Principal share registrar and transfer office | Tricor Services (Cayman Islands) Limited P.O. Box 10008, Willow House Cricket Square, Grand Cayman KY1-1001 Cayman Islands |
| Branch share registrar and transfer office in Hong Kong | Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong |
| Company secretary | Mr. Lam Williamson <i>(member of the Certified Practising Accountant in Australia and fellow member of the Hong Kong Institute of Certified Public Accountants)</i> |
| Compliance officer | Mr. Ng Chi Lung, an executive Director |

11. GENERAL

- (a) 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 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 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 Audit Committee comprised of three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

Ms. Wong Ka Wai, Jeanne, has over 25 years of experience in finance, accounting, taxation and corporate affairs. She is a member of the Chartered Accountants in Australia and New Zealand, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Trust and Estate Practitioner and the Certified Tax Advisor in Hong Kong. Ms. Wong is also currently an independent non-executive director of Phoenitron Holdings Limited (stock code: 8066), a company listed on GEM.

Mr. Liu Chenli, was an independent non-executive director of Sunway International Holdings Limited (stock code: 58) (“**Sunway International**”), a company listed on the Main Board of the Stock Exchange, for the period from 29 May 2015 to 9 May 2017 and was re-designated as a non-executive director with effect from 10 May 2017. On 3 August 2018, Mr. Liu resigned as the non-executive director of Sunway International.

Dr. Lam Huen Sum, is an independent non-executive director of Sunway International, a company listed on the Main Board of the Stock Exchange, since 12 June 2017.

- (b) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.