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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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

* *For identification purpose only*

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2019 is as follows:

- Revenue was approximately HK$326.926 million (2018: approximately HK$330.455 million), representing a decrease of approximately 1.07% as compared with last year.

- Gross profit was approximately HK$142.803 million (2018: approximately HK$155.455 million), representing a decrease of approximately 8.14% as compared with last year.

- The operating loss from the operation was approximately HK$44.529 million (2018: approximately HK$88.616 million). Net loss attributable to owners of the Company was approximately HK$50.356 million (2018: net loss of approximately HK$102.735 million). The loss was mainly due to an impairment loss on goodwill for the year ended 31 March 2019.

- The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Good Fellow Healthcare Holdings Limited (formerly name known as Hua Xia 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 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	5	**326,926**	330,455
Cost of sales		**(184,123)**	(175,000)
Gross profit		**142,803**	155,455
Other revenue	6	**746**	992
Other gain, net	7	**25**	211
Net impairment loss recognised in respect of trade and other receivable		**(2,323)**	–
Gain on disposal of subsidiaries		**746**	–
Selling and distribution expenses		**(67,016)**	(66,431)
Administrative expenses		**(85,005)**	(79,091)
Impairment loss on available-for-sale financial assets		**–**	(4,973)
Fair value loss on financial assets at fair value through profit or loss		**(867)**	–
Impairment loss on goodwill		**(32,214)**	(94,779)
Loss on early redemption of promissory note		**(1,424)**	–
Loss from operations		**(44,529)**	(88,616)
Finance costs	9	**(1,536)**	(2,231)
Loss before taxation	8	**(46,065)**	(90,847)
Taxation	10	**(4,252)**	(6,176)
Loss for the year		**(50,317)**	(97,023)
Loss for the year attributable to:			
Owners of the Company		**(50,356)**	(102,735)
Non-controlling interests		**39**	5,712
Loss for the year		**(50,317)**	(97,023)

	Notes	2019 HK$'000	2018 HK$'000
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Reclassification relating to impairment loss on available-for-sale financial assets		**–**	754
Exchange differences on translating foreign operations		**(12,522)**	18,463
Release of exchange differences upon disposal of subsidiaries		**(8,636)**	–
Other comprehensive (loss)/income for the year, net of tax		**(21,158)**	19,217
Total comprehensive loss for the year		**(71,475)**	(77,806)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(68,182)**	(88,510)
Non-controlling interests		**(3,293)**	10,704
		(71,475)	(77,806)
Loss per share attributable to owners of the Company			
– Basic and diluted (HK cents per share)	*11*	**(1.79)**	(4.33)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**38,454**	81,496
Prepaid lease payments		**–**	22,434
Deposit for property, plant and equipment		**3,366**	2,962
Available-for-sale financial assets		**–**	2,939
Goodwill		**20,093**	52,307
		61,913	162,138
Current assets			
Inventories		**8,150**	15,054
Trade and other receivables and deposits	*13*	**34,437**	43,208
Financial assets at fair value through profit or loss		**2,072**	–
Cash and cash equivalents		**126,830**	132,283
		171,489	190,545
Current liabilities			
Trade and other payables	*14*	**61,901**	46,364
Bank borrowings		**–**	10,000
Amounts due to non-controlling shareholders		**180**	1,230
Tax payables		**324**	1,707
Promissory notes		**–**	1,992
		62,405	61,293
Net current assets		**109,084**	129,252
Total assets less current liabilities		**170,997**	291,390

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Non-current liabilities			
Promissory notes		**–**	40,705
Deferred Revenue		**23,387**	–
		23,387	40,705
Net assets		**147,610**	250,685
EQUITY			
Capital and reserves			
Share capital		**29,168**	29,168
Reserves		**102,924**	171,325
Equity attributable to owners of the Company		**132,092**	200,493
Non-controlling interests		**15,518**	50,192
Total equity		**147,610**	250,685

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**"). The registered office of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 19/F., New Wing, 101 King's Road, 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company has applied, for the first time, the following new and revised HKFRS and interpretations ("**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Company's financial year beginning 1 April 2018. A summary of the new and revised HKFRSs are set out as below:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) Classification and measurement

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to expected credit loss under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	31 March 2018	**Reclassification**	**Remeasurement**	**1 April 2018 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sales financial assets	2,939	(2,939)	–	–
Current assets				
Trade and other receivable and deposit	43,208	–	622	43,830
Financial assets at fair value through profit or loss	–	2,939	–	2,939
Equity				
Reserve	171,325	–	342	171,667
Non-controlling interests	50,192	–	280	50,472

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at the date of initial application have not been impacted by the initial application of HKFRS 9.

(b) Impairment under ECL model

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis.

In general, the directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost upon application of HKFRS 9 by the Group. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determinated as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits, other receivables and bank balance, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment is as follows.

All loss allowances, including trade receivables, and other receivables and deposits paid as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Trade Receivables	**Other Receivables and Deposit Paid**
	HK$'000	*HK$'000*
At 31 March 2018 – HKAS39	2,374	9,958
Amounts re-measured through opening – accumulated loss	(378)	(244)
At 1 April 2018-HKFRS 9 (restated)	1,996	9,714

The following tables summarised the impact, net of tax, of transition HKFRS 9 on the opening balance of accumulated losses and non-controlling interest at 1 April 2018 as follow:

	Accumulated loss	**Non-controlling interest**
	HK$'000	*HK$'000*
Accumulated loss:		
At 31 March 2018	(610,289)	50,192
Increase in expected credit loss ("**ECLs**") in – Trade and other receivables	342	280
Accumulated loss at 1 April 2018 (restated)	(609,947)	50,472

(c) AFS financial assets

At the date of initial application of HKFRS 9, the Group's listed equity securities of approximately HK$2,939,000 were reclassified from AFS financial assets to financial assets at FVTPL.

HKFRS 15 *Revenue from Contracts with Customers and the related Amendments*

As a result of the changes in the Group's accounting policies, as explained below, except for the reclassification of the contract liabilities from receipt in advance of HK$601,000 at the initial application, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 April 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 April 2018.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018	HKFRS 9	HKFRS 15	1 April 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sales financial assets	2,939	(2,939)	–	–
Current assets				
Trade and other receivable and deposit	43,208	622	–	43,586
Financial assets at fair value through profit or loss	–	2,939	–	2,939
Current liabilities				
Trade and other payables	46,364	–	(601)	45,763
Contract liabilities	–	–	601	601
Equity				
Reserve	(171,325)	342	–	(171,667)
Non-controlling interests	50,192	280	–	50,472

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (Amendments)	Prepayment Features with Negative Compensations[1]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HKAS 19 (Amendments)	Employee Benefits[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRs (Amendments)	Annual Improvement to HKFRSs 2015-2017 Cycle[1]
HK (IFRIC)–lnt 23	Uncertainty Over Income Tax Treatment[1]
HKFRS 3 (Amendments)	Definition of a Business[5]
HKAS 1 and HKAS 8 (Amendments)	Definition of a Material[4]

1 *Effective for annual periods beginning on or after 1 January 2019.*

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

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

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

5 *Effective for business combination 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.*

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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 HKAS 17, 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:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contract with customers recognised at a point in time:		
Provision of general hospital services	**326,926**	330,455

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

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**469**	379
Sundry income	**277**	613
	746	992

7. OTHER GAIN, NET

	2019	2018
	HK$'000	*HK$'000*
Exchange loss	**(103)**	–
Gain/(loss) on disposal of property, plant and equipment	**128**	(2)
Reversal of impairment loss recognised in respect of trade and other receivables – HKAS 39	**–**	213
	25	211

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Directors' remuneration	**6,102**	5,359
Other staff's retirement benefits scheme contributions	**10,674**	10,078
Other staff costs	**73,430**	76,724
Other staff share-based payment expenses	**–**	127
	89,121	92,288
Auditors' remuneration		
– Audit services	**450**	450
– Non-audit services	**250**	–
Loss on early redemption of promissory note	**1,424**	–
Fair value loss on financial assets at fair value through profit or loss	**867**	4,973
Impairment loss on goodwill	**32,214**	94,779
Impairment loss recognised in respect of trade and other receivables – HKAS 39	**–**	507
Net impairment loss recognised in respect of trade and other receivables	**2,323**	–
Cost of inventories sold	**93,821**	90,748
Amortisation of prepaid lease payments	**827**	1,000
Depreciation of property, plant and equipment	**22,669**	18,984
Operating lease rentals in respect of land and buildings	**20,292**	19,249
Equity-settled share based payment	**–**	189

9. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings	**480**	555
– convertible note	**–**	70
– promissory notes	**1,056**	1,606
	1,536	2,231

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.

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax	**4,252**	6,474
– Over-provision in prior year	**–**	(108)
Deferred tax:		
– Current year credit	**–**	(190)
	4,252	6,176

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 2019 (2018: 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

	2019	2018
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company	**(50,356)**	(102,735)
Less: Dividends to holders of convertible preference shares	**–**	–
Loss attributable to holders of ordinary shares of the Company	**(50,356)**	(102,735)
Weighted average number of ordinary shares in issue *('000)*	**2,818,250**	2,372,112

(b) Diluted

For the year ended 31 March 2019 and 2018, 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 2019 (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**2,163**	15,701
91 to 180 days	**414**	1,828
181 to 365 days	**81**	3,667
Over 365 days	**1,150**	2,374
	3,808	23,570

14. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**7,713**	16,136
91 to 180 days	**1,895**	3,141
181 to 365 days	**2,783**	1,828
Over 365 days	**2,426**	4,148
	14,817	25,253

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$326.926 million (2018: approximately HK$330.455 million) for the year ended 31 March 2019, a decrease of approximately 1.07% as compared with last year.

General hospital services

During the year ended 31 March 2019, the Group operated three general hospitals in Jiaxing, Zhuhai, and Beijing respectively in the PRC (2018: 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, cosmetic surgery, dermatology and 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$0.746 million (2018: approximately HK$0.992 million) for the year ended 31 March 2019.

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 2019, selling and distribution expenses amounted to approximately HK$67.016 million (2018: approximately HK$66.431 million), representing an increase of approximately 0.88% as compared with last year, which maintained at a similar level as 2018.

Administrative expenses

Administrative expenses for the year ended 31 March 2019 amounted to approximately HK$85.005 million (2018: approximately HK$79.091 million), representing an increase of approximately 7.48% as compared with last year. It was due to the increase of depreciation of property, plant and equipment and rental expenses.

Finance costs

For the year ended 31 March 2019, the finance costs of the Group were approximately HK$1.536 million (2018: approximately HK$2.231 million), representing a decrease of approximately 31.15% as compared with last year. It was due to the decrease in bank borrowings.

Loss from operations attributable to owners of the Company

The Group recorded a net loss from the operation before taxation of approximately HK$46.065 million (2018: approximately HK$90.847 million), representing a decrease as compared with last year. The loss was mainly attributable to impairment loss on goodwill of approximately HK$32.214 million recognised for the year ended 31 March 2019.

In April 2019, the management of the Company reviewed the management accounts for the eleven months ended 28 February 2019 and was of the view that the sales performance of Beijing Tongji Hospital Co., Limited (the "**Beijing Tongji**") declined compare with last year. During the year, the Company continually allocates resources on promotional and advertising to boost the sales, however the Beijing Tongji sales performance could not meet the respective projections. The management of the Company considered that impairment should be made to goodwill. As a result, an impairment loss on goodwill of approximately HK$32.214 million, was recognised for the Beijing Tongji.

The acquisition of the 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 2019 (2018: Nil).

OUTLOOK AND FUTURE PROSPECTS

The most recent strategies established by the central government of China have focused on the further support of the social capital in the delivery of healthcare services to the public. The new initiatives and the continued healthcare reforms provide clear guidance to encourage more private hospitals to engage in the primary medical care and especially to be treated equally like state owned hospitals in a fast-growing market. One of the important trends shows that government has increased its purchasing power for medical services from private hospitals, thus creating more opportunities and fair competition. Another important development is that as anticipated before, Class II hospitals have now become the center of the healthcare reform in that they are considered as the critical to reduce pressure on Class III hospitals while providing more quality services to support the local clinics and community health centers across the country. The positive changes in the healthcare market well reflect the great potentials of the long-term strategies that the Company has established, and it is believed that as the Company is ready to embrace the fast growth, it will be able to take the advantages of those opportunities to sustain its further development and operations.

The central government has designated the year of 2020 as the year of the fulfillment of the Health China strategy. In the meantime, the prevention for disease and effective management of chronical diseases like diabetes and hypertension have become priorities for the healthcare industry because the more policy support and funding opportunities have been planned along this direction. As a result, the needs to fulfill the promises of the accessible quality healthcare to the citizens of the country dictate the rapid and concrete actions by the both government and the industry. The management feels it is important to implement further strategies and actions to benefit from the positive development. We are already in a better position to access more advanced technologies and service models from our international partners. While we continue to improve the service standard in the existing hospitals 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 the Group's hospitals are. 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 the Group's resources to accomplish the expected goals.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and cash equivalents of approximately HK$126.830 million as at 31 March 2019 (2018: approximately HK$132.283 million).

The Group recorded total current assets of approximately HK$171.489 million as at 31 March 2019 (2018: approximately HK$190.545 million) and total current liabilities of approximately HK$62.405 million as at 31 March 2019 (2018: approximately HK$61.293 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.748 as at 31 March 2019 (2018: approximately 3.109).

As at 31 March 2019, 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) (2018: N/A).

CAPITAL COMMITMENTS

As at 31 March 2019 and 2018, the Group had no material capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2019 and 2018, 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 2019, the Group had no bank borrowings. As at 31 March 2018, the Group had bank borrowings of approximately HK$10.000 million which were secured by certain prepaid lease payment with carrying amount of approximately HK$23.494 million.

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 4.

CAPITAL STRUCTURE

As at 31 March 2019, the total issued share capital of the Company was approximately HK$29.168 million (2018: approximately HK$29.168 million) divided into 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2018: 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK$0.01 (2018: HK$0.01) each.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had 720 (2018: 1,038) full time employees (including Directors) as shown in the following table:

Location	**Number of Staff**
Hong Kong	15
PRC (including cities of Jiaxing, Zhuhai and Beijing)	705

For the year ended 31 March 2019, staff costs (including Directors emoluments) amounted to approximately HK$89.121 million (2018: approximately HK$92.288 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 2019, there were no (2018: 65,090,000) outstanding share options granted under the share option schemes.

COOPERATION WITH PUTIAN MEDICAL ON THE ESTABLISHMENT OF EDINBURGH INTERNATIONAL HOSPITAL

On 26 September 2018, Edinburgh International Investments Ltd. ("**Edinburgh International**"), a non wholly-owned subsidiary of the Company, and Putian Medical Healthcare Investment Co., Ltd# (莆田市醫療健康產業投資有限公司, "**Putian Medical**") entered into the cooperation agreement, pursuant to which, Putian Medical shall provide subsidy for, and Edinburgh International shall establish and operate a new hospital to be named "Edinburgh International Hospital" ("**Edinburgh International Hospital**") in Putian, Fujian, the PRC.

For more details, please refer to the announcements of the Company dated 26 September 2018 and 12 October 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Disposal of the entire issued share capital of Hero Vision

On 30 October 2018, Ally Health International Limited ("**Ally Health**"), a wholly-owned subsidiary of the Company, and Mr. Wong Yeuk Hung ("**Mr. Wong**") entered into the disposal agreement, pursuant to which, Ally Health conditionally agreed to sell and Mr. Wong conditionally agreed to purchase the entire issued share capital of Hero Vision Enterprises Limited ("**Hero Vision**", together with its subsidiaries, the "**Hero Vision Group**"), at the consideration of HK$73,000,000 (the "**Hero Vision Disposal**").

Completion of the Hero Vision Disposal took place on 31 January 2019. Upon completion, the Hero Vision Group ceased to be subsidiaries of the Company.

For more details, please refer to the circular of the Company dated 20 November 2018; and the announcements of the Company dated 30 October 2018 and 31 January 2019.

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

CHANGE OF COMPANY NAME, STOCK SHORT NAME, COMPANY LOGO AND COMPANY WEBSITE

On 8 February 2019, the English name of the Company was changed from "Hua Xia Healthcare Holdings Limited" to "Good Fellow Healthcare Holdings Limited" and the dual foreign name of the Company in Chinese was changed from "華夏醫療集團有限公司" to "金威醫療集團有限公司".

On 25 March 2019, the English and Chinese stock short names of the Company for trading in its shares on the Stock Exchange was changed from "HUA XIA HEALTH" to "GF HEALTHCARE" in English and from "華夏醫療" to "金威醫療" in Chinese.

On 20 March 2019, the logo of the Company was changed to "", to reflect the change of company name.

On 20 March 2019, the official website of the Company was changed from "http://www.huaxia-healthcare.com" to "http://www.gf-healthcare.com".

CHANGE OF CONTROLLING SHAREHOLDER OF THE COMPANY

On 24 April 2018 (after trading hours), the Company was informed by Solar Star Global Limited (the "**Offeror**") that the Offeror has acquired an aggregate of 553,491,516 shares of the Company, representing approximately 19.64% of the issued share capital of the Company. Completion of the transfer of the shares of the Company took place on 25 April 2018.

For further details, please refer to the announcements jointly issued by the Company and the Offeror dated 27 April 2018, 14 June 2018 and 3 July 2018 respectively; and the composite offer and response document jointly issued by the Company and the Offeror dated 5 June 2018.

As at the date of the closing of the offers on 3 July 2018, the Offeror and parties acting in concert with it are interested in an aggregate of (i) 1,640,959,460 shares, representing approximately 58.23% of the issued share capital of the Company; and (ii) 98,500,000 convertible preference shares of the Company.

PLACING OF NEW SHARES AND USE OF PROCEEDS

On 1 March 2018, the Company as issuer and Kingston Securities Limited as placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent of up to 460,000,000 placing shares at the issue price of HK$0.1 per placing share. Completion of the placing took place on 20 March 2018, and 460,000,000 placing shares were allotted and issued to not less than six placees at the placing price of HK$0.1 per placing share pursuant to the terms and conditions of the placing agreement. The aggregate nominal value of the placing shares was HK$4,600,000. For more details of the placing, please refer to the announcements of the Company dated 1 March 2018, 5 March 2018 and 20 March 2018 respectively.

The net proceeds from the placing were approximately HK$44.5 million (representing a net issue price of approximately HK$0.0967 per placing share), which is intended to apply as to (1) approximately HK$22 million for the repayment of the promissory notes of the Group; and (2) approximately HK$22.5 million for the general working capital of the Group. The closing price of the shares of the Company on 1 March 2018 was HK$0.118 per share.

During the year ended 31 March 2018, the net proceeds of approximately HK$15 million from the placing had been utilised, where (1) approximately HK$12 million was for the repayment of the promissory notes of the Group; and (2) approximately HK$3 million was for the general working capital of the Group.

The remaining net proceeds of approximately HK$29.5 million from the placing was subsequently utilised, where (1) approximately HK$10 million was for the repayment of the promissory notes of the Group; and (2) approximately HK$19.5 million was for the general working capital of the Group.

As at the date of this announcement, the net proceeds from the placing had been fully utilised.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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), a wholly-owned subsidiary of Edinburgh International which, in turn, is a non wholly-owned subsidiary of the Company, entered into the refurbishment agreement with CSCEC Strait Construction and Development Co., Ltd for the refurbishment of Edinburgh International Hospital at the consideration of RMB41.600 million (equivalent to approximately HK$48.630 million).

For more details, please refer to the announcement of the Company dated 1 April 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, a wholly-owned subsidiary of the Company, and Jing Hoi Ou Investment Limited ("**Jing Hoi**") 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.

Upon completion, Sino Brave will cease to be a subsidiary of the Company, and the financial results of the Sino Brave Group will no longer be consolidated into the consolidated financial statements of the Group following completion.

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

Save as disclosed above, 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 2019, 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 2019.

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 during the period from 1 April 2018 to 31 March 2019.

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. Liu Chenli. 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 2019, 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 2019 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, 24 June 2019

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$1.169. 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; Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli 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.