



GOOD FELLOW HEALTHCARE HOLDINGS LIMITED

金威醫療集團有限公司

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



First Quarterly Report 2019/2020

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

HIGHLIGHTS

- The Group has recorded a revenue of approximately HK\$54.447 million for the three months ended 30 June 2019 as compared with HK\$88.452 million in the corresponding period in 2018, representing a decrease of approximately 38.44%.
- Gross profit margin of the Group was approximately 73.98% for the three months ended 30 June 2019, compared with 71.07% in the corresponding period in year 2018, with the gross profit margin maintained at a similar level.
- The Group has recorded a loss attributable to owners of the Company for the three months ended 30 June 2019 of approximately HK\$7.981 million as compared with a loss of HK\$4.712 million in the corresponding period in 2018.
- The Directors do not recommend the payment of dividend for the three months ended 30 June 2019 (2018: Nil).

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

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2019

		Three months ended 30 June	
		2019	2018
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	54,447	88,452
Cost of sales		(14,166)	(25,593)
Gross profit		40,281	62,859
Other revenue		1,627	331
Selling and distribution expenses		(33,028)	(43,040)
Administrative expenses		(15,779)	(20,548)
Loss from operations		(6,899)	(398)
Finance costs		(183)	(485)
Loss before taxation		(7,082)	(883)
Taxation	4	(601)	(2,123)
Loss for the period		(7,683)	(3,006)
Other comprehensive loss for the period, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income		–	(490)
Exchange differences on translating foreign operations		1,327	(4,229)
Total comprehensive loss for the period		(6,356)	(7,725)



		Three months ended	
		30 June	
	<i>Note</i>	2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(7,981)	(4,712)
Non-controlling interests		<u>298</u>	<u>1,706</u>
		<u>(7,683)</u>	<u>(3,006)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(6,803)	(16,500)
Non-controlling interests		<u>447</u>	<u>8,775</u>
		<u>(6,356)</u>	<u>(7,725)</u>
Dividends	<i>6</i>	<u>–</u>	<u>–</u>
Loss per share attributable to owners of the Company			
– Basic (HK cents)		<u>(0.274)</u>	<u>(0.162)</u>
– Diluted (HK cents)	<i>5</i>	<u>(0.274)</u>	<u>(0.162)</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2019

	Attributable to owners of the Company												
	Share capital HK\$'000 Note (a)	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Revaluation reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Statutory reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2018 (audited)	29,168	440,289	295,610	551	-	(6,735)	19,628	16,469	15,802	(610,289)	200,493	50,192	250,685
Loss for the Period	-	-	-	-	-	-	-	-	-	(4,712)	(4,712)	1,706	(3,006)
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	(490)	-	-	-	-	-	(490)	-	(490)
Exchange Difference on Translating Foreign Operations	-	-	-	-	-	-	(1,140)	-	-	(10,158)	(11,298)	7,069	(4,229)
Total Comprehensive Income for the Period	-	-	-	-	(490)	-	(1,140)	-	-	(14,870)	(16,500)	8,775	(7,725)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(7,118)	(7,118)
Lapse of share option	-	-	-	-	-	-	-	16,463	-	(16,463)	-	-	-
Transfer to Statutory Reserve	-	-	-	-	-	-	-	-	2,071	-	2,071	-	2,071
At 30 June 2018 (unaudited)	29,168	440,289	295,610	551	(490)	(6,735)	18,488	6	17,873	(608,696)	186,064	51,849	237,913
At 1 April 2019 (audited)	29,168	440,289	295,610	551	-	(31,315)	1,802	-	4,220	(608,667)	131,658	15,952	147,610
Loss for the period	-	-	-	-	-	-	-	-	-	(7,981)	(7,981)	298	(7,683)
Exchange difference on translating foreign operations	-	-	-	-	-	-	(311)	-	-	1,489	1,178	149	1,327
Total	-	-	-	-	-	-	(311)	-	-	(6,492)	(6,803)	447	(6,356)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	(1,592)	-	(1,592)	-	(1,592)
At 30 June 2019 (unaudited)	29,168	440,289	295,610	551	-	(31,315)	1,491	-	2,628	(615,159)	123,263	16,399	139,662

Note:

- (a) As at 30 June 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 each (2018: HK\$0.01 each).

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2019

1. Corporate Information

The Company was incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability. The shares of the Company are listed on GEM. The registered office of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 19/F, New Wing, 101 King's Road, Hong Kong (which had been changed to Unit 3309, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong with effect from 4 July 2019).

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("RMB"). The Directors considered that it is more appropriate to present the condensed consolidated financial statements in HK\$ as the shares of the Company are listed on GEM. The unaudited condensed consolidated financial statements are presented in thousands of units of HK\$ (HK\$'000), unless otherwise stated.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services in the People's Republic of China (the "PRC").

2. Basis of preparation and principal accounting policies

The condensed consolidated financial results for the three months ended 30 June 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial results have been prepared under the historical cost except for certain financial instruments, which are measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 30 June 2019 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2019 (the "2018/19 Financial Statements"), which have become effective in this period as detailed in notes to the 2018/19 Financial Statements. The Directors believe that the application of the other new and revised standards, amendments or interpretations has no material impact on the condensed consolidated financial results for the period.

Certain comparative amounts have been restated to confirm with the current period's presentation and accounting treatment.

3. Revenue

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

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Provision of general hospital services	<u>54,447</u>	<u>88,452</u>
Other Revenue		
Interest income	<u>421</u>	<u>61</u>

4. Taxation

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2018: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the provision of general hospital services in the PRC (2018: approximately 25%).

5. 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 HK\$'000	2018 HK\$'000
Loss		
Attributable to holders of ordinary shares of the Company	<u>(7,981)</u>	<u>(4,712)</u>
Weighted average number of ordinary shares in issue	<u>2,818,249,944</u>	<u>2,818,249,944</u>

(b). Diluted loss per share

During the three months ended 30 June 2019, the computation of diluted loss per share did not assume the conversion of the Company's outstanding share option since the effect of such conversion was anti-dilutive.

6. Dividends

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

General hospital services

The turnover generated from three general hospitals for the three months ended 30 June 2019 amounted to approximately HK\$54.447 million (2018: approximately HK\$88.452 million for four general hospitals), representing a decrease of approximately 38.44% compared with the same period last year. The decrease was mainly related to the disposal of Edward Hospital Company Limited# (重慶愛德華醫院有限公司) (“**Edward Hospital**”).

Expenses

Selling and distribution expenses for the three months ended 30 June 2019 amounted to approximately HK\$33.028 million (2018: approximately HK\$43.040 million), representing a decrease of approximately 23.26% compared with the same period last year. The decrease was due to the disposal of Edward Hospital.

Administrative expenses for the three months ended 30 June 2019 amounted to approximately HK\$15.779 million (2018: approximately HK\$20.548 million), representing a decrease of approximately 23.21%. The decrease was mainly related to the disposal of Edward Hospital.

Loss attributable to owners of the Company

The Group has recorded a loss attributable to owners of the Company for the three months ended 30 June 2019 of approximately HK\$7.981 million as compared with a loss of HK\$4.712 million in the corresponding period in 2018.

Business Review and Outlook

General hospital services

During the three months ended 30 June 2019, the Group operated three general hospitals in Jiaxing, Zhuhai and Beijing in the PRC, 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 turnover generated from the provision of general hospital services for the three months ended 30 June 2019 was approximately HK\$54.447 million (2018: approximately HK\$88.452 million), representing a decrease of approximately 38.44% compared with the same period last year.

Future Prospects

In 2019, the Health China Action Plan (2019-2030) (the “**Health China Action Plan**”) was released as one of the most important strategy documents guiding the development and implementation of medical services and care programs to the citizens of the country. The treatment and prevention of top five diseases have become the national focus for all hospitals and healthcare institutions. Among them the management of fast growing diabetes prevalence is considered the priority because it has rapidly grown from 4.2% in 2002 to an alarming 9.7% in 2012. The severe consequences of the complications associated with diabetes are now threatening the general health of the people and causing tremendous social and economic burdens on the country. The Health China Action Plan therefore sets out clear targets of reaching 60% in 2022 and 70% in 2030 for the management of diabetes patients countrywide. To facilitate the achievements of the targets, the central government has coordinated all agencies and ministries from healthcare commission to finances to ensure well concerted efforts to combat the disease.

In the meantime, to improve the efficiency of medical services, China has issued a provisional plan to enhance the reporting and management of data from hospitals nationwide. Hospitals are asked to report data on medical quality and security, medical services and hospital revenue, among others, according to the plan issued by the National Health Commission (NHC). The introduction of data management to all hospitals is part of the important national strategies to apply medical informatics to precision diagnosis and treatment of chronic disease like diabetes and cardiological disease, and cancers.

Facing the rapid change of the healthcare landscapes, the Company has already allocated adequate resources to get ready to meet the new demands for medical services through its strategic positioning and international collaboration with the world leading medical training and educational institutions. The introduction of successful medical treatment of diabetes overseas to the country by the Company has already shown promising results, having further strengthened efforts to help the existing hospitals as well as new businesses. At the same time, the Company will continue to improve the service standard and technology in existing hospitals and provide medical services that are required by local communities according to market demand. The management strongly believes that by 2020, our efforts and strategic planning will help us achieve the goals in the healthcare business.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Refurbishment of Edinburgh International Hospital

On 1 April 2019, Edinburgh Hospital Management (Putian) Company Limited* (愛丁醫院管理(莆田)有限公司) (“**Edinburgh Hospital Management**”), a wholly-owned subsidiary of Edinburgh International Investments Ltd. which, in turn, is a non wholly-owned subsidiary of the Company, entered into the refurbishment agreement (the “**Refurbishment Agreement**”) with CSCEC Strait Construction and Development Co., Ltd (“**CSCEC Construction**”) for the refurbishment of Edinburgh International Hospital at the cost of RMB41,600,000 (equivalent to approximately HK\$46,592,000).

On 6 August 2019, Edinburgh Hospital Management and CSCEC Construction entered into the supplemental agreement to the Refurbishment Agreement (the “**Supplemental Agreement**”), pursuant to which the parties to the Refurbishment Agreement have mutually agreed in writing to amend and supplement certain terms of the Refurbishment Agreement, including (i) the subject matter for the refurbishment would exclude the medical purification area; (ii) the refurbishment period was estimated to be 127 days from the date of the Supplemental Agreement; and (iii) the revised refurbishment cost would amount to RMB27,049,600 (equivalent to approximately HK\$30,295,552).

For more details, please refer to the announcements of the Company dated 1 April 2019 and 6 August 2019; and the announcements of the Company dated 26 September 2018 and 12 October 2018, in relation to the establishment of Edinburgh International Hospital.

Disposal of the entire issued share capital of Sino Brave

On 16 April 2019, Ally Health International Limited (“**Ally Health**”), a wholly-owned subsidiary of the Company, as vendor and Jing Hoi Ou Investment Limited (“**Jing Hoi**”) as purchaser entered into the disposal agreement, pursuant to which, Ally Health conditionally agreed to sell and Jing Hoi conditionally agreed to purchase the entire issued share capital of Sino Brave Investments Limited (“**Sino Brave**”, together with its subsidiaries, the “**Sino Brave Group**”), at the consideration of HK\$1,000,000.

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, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the three months ended 30 June 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Tenancy for Jiaxing Shuguang Medical Beauty Clinic

On 17 July 2019, Jiaxing Shuguang Medical Beauty Clinic Co., Ltd.# (嘉興市曙光醫療美容門診部有限公司), a non wholly-owned subsidiary of the Company, as tenant and Shanghai Yuanhao Business Management Co., Ltd.# (上海元酉商業管理有限公司) as landlord entered into the tenancy agreement in respect of the lease of a total of 33 rooms located at 1-4/F, Jiaxing World Trade Centre, Nanhu District, Jiaxing City, the PRC# (嘉興市南湖區嘉興世界貿易中心) for the operation of the Jiaxing Shuguang Medical Beauty Clinic, for a term of 12 years and 11 months, commencing from 1 February 2020 and expiring on 31 December 2032 (both days inclusive) at an annual rent of RMB2,923,029.62 (equivalent to approximately HK\$3,273,793) for the first two years, followed by an increment of 5% every two years for the remaining of the term (payable semi-annually in advance) (exclusive of management fees, utilities expenses and property charges), with a rent-free period of six months, commencing from 1 August 2019 and expiring on 31 January 2020 (both days inclusive) (exclusive of utilities expenses (if any)).

For more details, please refer to the announcement of the Company dated 17 July 2019.

Save as disclosed, no significant event took place subsequent to the end of the reporting period.

TENANCY FOR EDINBURGH INTERNATIONAL HOSPITAL

On 31 July 2019, Edinburgh Hospital Management as tenant and Putian Medical Healthcare Investment Co., Ltd# (莆田市醫療健康產業投資有限公司) as landlord entered into the tenancy agreement in respect of the lease of Units C3-1#, C3-2# and C3-3# (Land no. 3-B), Lianfa Putian E-Commerce City, Licheng North Avenue, Chengxiang District, Putian, Fujian, the PRC# (莆田市城廂區荔城北大道的聯發莆田電商城 (地塊三-B) C3-1#·C3-2#·C3-3#單元) for the operation of Edinburgh International Hospital, for a term of 60 months, commencing from 24 February 2024 and expiring on 23 February 2029 (both days inclusive) at a monthly rent of RMB224,771.36 (equivalent to approximately HK\$251,744) (exclusive of utilities expenses but inclusive of tax), with (i) a rent-free period of 60 months, commencing from 24 February 2019 and expiring on 23 February 2024 (both days inclusive) (exclusive of utilities expenses (if any)); and (ii) an option to renew for 120 months, commencing from 24 February 2029 and expiring on 23 February 2039 (both days inclusive) which is exercisable by Edinburgh Hospital Management within two months prior to the expiry of the initial 120 months.

For more details, please refer to the announcement of the Company dated 6 August 2019.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

With effect from 4 July 2019, the address of the head office and principal place of business in Hong Kong of the Company has been changed to Unit 3309, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The telephone number, facsimile number and website of the Company remain unchanged.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) *Interests in shares and underlying shares of the Company:*

Name of Director	Nature of interest	Number of shares and underlying shares	Position	Approximate percentage of the total issued shares
Mr. Ng Chi Lung	Personal interest	59,000,000	Long	2.09%
	Corporate interest (<i>Note</i>)	1,680,459,460	Long	59.63%
Dr. Jiang Tao	Personal interest	9,300,000	Long	0.33%
Mr. Zheng Gang	Personal interest	6,044,000	Long	0.21%

Note: Solar Star Global Limited ("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.

(ii) Interests in the issued share capital of the Company's associated corporation:

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Position	Approximate percentage of shareholdings in the associated corporation's issued share capital
Nil	-	-	-	-	-

(iii) Interests in share options under share option scheme:

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Nil	-	-	-	-

Save as disclosed above, as at 30 June 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial shareholders' interests and short positions in shares and underlying shares of the Company

As at 30 June 2019, other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' interests and short positions in the securities of the Company and its associated corporations" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company:

Name of shareholder	Number of shares and underlying shares	Position	Capacity	Approximate percentage of the total issued shares
Solar Star Global Limited ("Solar Star") (Note 1)	1,680,459,460	Long	Beneficial owner	59.63%
Ms. Cheng Wai Yin (Note 2)	1,739,459,460	Long	Interest of spouse	61.72%
New Hope International (Hong Kong) Limited ("New Hope International") (Note 3)	343,217,539	Long	Beneficial owner	12.18%
Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) (Note 3)	343,217,539	Long	Corporate interest	12.18%
New Hope Group Co., Ltd.# (新希望集團有限公司) (Note 3)	343,217,539	Long	Corporate interest	12.18%
Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業峰實業有限公司) (Note 3)	343,217,539	Long	Corporate interest	12.18%
Mr. Liu Yonghao (Note 3)	343,217,539	Long	Corporate interest	12.18%
Ms. Liu Chang (Note 3)	343,217,539	Long	Corporate interest	12.18%
Ms. Li Wei (Note 4)	343,217,539	Long	Interest of spouse	12.18%

Notes:

- (1) 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.
- (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, as at 30 June 2019, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Save as disclosed under the heading "Directors' interests and short positions in the securities of the Company and its associated corporations" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Save as disclosed above, at no time during the three months ended 30 June 2019 was the Company or any of its subsidiaries, associated companies, fellow subsidiaries or holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the period.

SHARE OPTION SCHEME

The Company had adopted the share option scheme on 10 August 2011 to enable the Board to grant share options to eligible participants in order to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group. The terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted, exercised, cancelled or lapsed under the share option scheme for the six months ended 30 June 2019. As at 30 June 2019, there was no outstanding share option.

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

During the three months ended 30 June 2019, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2019, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding directors securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the three months ended 30 June 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

Code provision A.5.1 provides that the Company should establish a nomination committee chaired by the chairman of the board or an independent non-executive director. Upon the appointment of Mr. Ng Chi Lung, being the chairman of the Board, as the chairman of the Nomination and Corporate Governance Committee on 21 June 2019, the Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the three months ended 30 June 2019.

REMUNERATION COMMITTEE

The Company established the remuneration committee of the Company (the “**Remuneration Committee**”) on 3 June 2005 in compliance with the code provision. The Remuneration Committee has four members comprising an executive Director, Mr. Zheng Gang, and three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli. Ms. Wong Ka Wai, Jeanne is the chairlady of the Remuneration Committee.

The role and function of the Remuneration Committee include the determination of the specific remuneration package of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

On 11 February 2014, the Board resolved to establish a nomination and corporate governance committee of the Company (the “**Nomination and Corporate Governance Committee**”) in place and stead of the previous nomination committee of the Company, which was established on 27 March 2012 in compliance with the code provision. The Nomination and Corporate Governance Committee has five members comprising the chairman, Mr. Ng Chi Lung, the chief executive officer, Dr. Jiang Tao, and three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli. Mr. Ng Chi Lung is the chairman of the Nomination and Corporate Governance Committee.

The primary duties of the Nomination and Corporate Governance Committee include, but are not limited to: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; (ii) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; (iii) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Company; and (iv) keeping the effectiveness of the corporate governance and system of internal controls of the Group.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the “**Audit Committee**”) on 2 November 2001, with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee has three members comprising all the 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: (i) ensure the adequacy and effectiveness of the accounting and financial controls of the Group; (ii) oversee the performance of risk management and internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The Group's unaudited condensed consolidated results for the three months ended 30 June 2019 has not been audited by the auditors of the Company, but were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

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

Hong Kong, 13 August 2019

For the purposes of illustration only, amounts denominated in RMB in this report have been translated into HK\$ at the rate of RMB1.00 = HK\$1.12. 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 report, the Board comprises Mr. Ng Chi Lung, Dr. Jiang Tao and Mr. Zheng Gang as executive Directors; and Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli as independent non-executive Directors.

This report will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting and the Company's website at www.gf-healthcare.com.