



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)



INTERIM REPORT
2020/2021



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HIGHLIGHTS

- The Group has recorded a total revenue of approximately HK\$22.537 million for the six months ended 30 September 2020 as compared with approximately HK\$100.783 million in the corresponding period in year 2019, representing a decrease of approximately 77.64%.
- Gross profit margin of the Group was approximately 68.81% for the six months ended 30 September 2020, compared with 75.15% in the corresponding period in year 2019, representing a decrease of approximately 6.34 percentage points.
- The Group has recorded a loss attributable to owners of the Company for the six months ended 30 September 2020 of approximately HK\$9.001 million (2019: loss attributable to owners of the Company of approximately HK\$0.905 million).
- The Directors do not recommend the payment of a dividend for the six months ended 30 September 2020 (2019: Nil).

INTERIM 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 and six months ended 30 September 2020, together with the unaudited comparative figures for the corresponding periods in 2019 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2020

	Notes	Three months ended 30 September		Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4 & 5	12,711	46,336	22,537	100,783
Cost of sales		(4,744)	(10,877)	(7,029)	(25,043)
Gross profit		7,967	35,459	15,508	75,740
Other revenue		2,726	1,573	3,859	3,200
Gain on disposal of subsidiary		–	17,147	–	17,147
Selling and distribution expenses		(4,165)	(24,657)	(6,166)	(57,685)
Administrative expenses		(11,538)	(20,657)	(24,016)	(34,820)
(Loss)/profit from operations	6	(5,010)	8,865	(10,815)	3,582
Finance costs	7	(1,570)	(1,254)	(3,074)	(3,053)
Profit/(loss) before taxation		(6,580)	7,611	(13,889)	529
Taxation	8	–	(165)	–	(766)
Profit/(loss) for the period		(6,580)	7,446	(13,889)	(237)

		Three months ended 30 September		Six months ended 30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income					
for the period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(362)	(5,835)	2,922	(4,508)
Total comprehensive profit/(loss) for the period		(6,942)	1,611	(10,967)	(4,745)
Profit/(loss) for the period attributable to:					
Owners of the Company		(3,868)	7,076	(9,001)	(905)
Non-controlling interests		(2,712)	370	(4,888)	668
		(6,580)	7,446	(13,889)	(237)
Total comprehensive profit/(loss) for the period attributable to:					
Owners of the Company		(4,231)	1,875	(5,098)	(4,928)
Non-controlling interests		(2,711)	(264)	(5,869)	183
		(6,942)	1,611	(10,967)	(4,745)
Dividends	13	-	-	-	-
Profit/(loss) per share attributable to owners of the Company					
- Basic (HK cents)	9	(0.137)	0.243	(0.319)	(0.031)
- Diluted (HK cents)		(0.137)	0.243	(0.319)	(0.031)

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
	<i>Notes</i>	
ASSETS		
Non-current assets		
Property, plant and equipment	91,670	80,328
Right-of-use assets	13,016	12,601
Goodwill	6,108	6,108
Finance lease receivables	1,458	3,580
	<u>112,252</u>	<u>102,617</u>
Current assets		
Inventories	849	2,041
Trade and other receivables and deposits	10 21,549	18,336
Financial assets at fair value through profit or loss	640	716
Finance lease receivables	4,168	4,020
Cash and cash equivalents	68,190	55,441
	<u>95,396</u>	<u>80,554</u>
Total assets	<u><u>207,648</u></u>	<u><u>183,171</u></u>
EQUITY		
Capital and reserves		
Share capital	11 29,168	29,168
Reserves	43,477	48,257
Equity attributable to owners of the Company	<u>72,645</u>	<u>77,425</u>
Non-controlling interests	<u>(11,528)</u>	<u>(5,658)</u>
Total equity	<u>61,117</u>	<u>71,767</u>

		30 September	31 March
		2020	2020
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	12	53,688	34,449
Lease liabilities		6,472	6,435
Tax payables		4	66
		<u>60,164</u>	<u>40,950</u>
Non-current liabilities			
Deferred Revenue		76,030	55,699
Lease liabilities		10,337	14,755
		<u>86,367</u>	<u>70,454</u>
Total liabilities		<u>146,531</u>	<u>111,404</u>
Total equity and liabilities		<u>207,648</u>	<u>183,171</u>
Net current assets		<u>35,232</u>	<u>39,604</u>
Total assets less current liabilities		<u>147,484</u>	<u>142,221</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital HK\$'000 (Note (a))	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible note reserve HK\$'000	Statutory reserve HK\$'000 (Note (b))	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
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	-	-	-	-	-	-	-	-	-	(905)	(905)	668	(257)
Exchange difference on translating foreign operations	-	-	-	-	-	(4,279)	-	-	-	256	(4,023)	(485)	(4,508)
Total	-	-	-	-	-	(4,279)	-	-	-	(649)	(4,928)	183	(4,745)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	(3,176)	-	(3,176)	-	(3,176)
At 30 September 2019 (unaudited)	<u>29,168</u>	<u>440,289</u>	<u>295,610</u>	<u>551</u>	<u>(31,315)</u>	<u>(2,477)</u>	<u>-</u>	<u>-</u>	<u>1,044</u>	<u>(609,316)</u>	<u>123,554</u>	<u>16,135</u>	<u>139,689</u>

	Share capital	Share premium	Capital reserve	Other reserve	Special reserve	Translation reserve	Share-based payment reserve	Convertible note reserve	Statutory reserve	Accumulated losses	Sub-total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note (a))						(Note (b))						
At 1 April 2020 (audited)	29,168	440,289	295,610	551	(31,315)	(3,081)	-	-	1,173	(654,970)	77,425	(5,658)	71,767
Loss for the period	-	-	-	-	-	-	-	-	-	(9,001)	(9,001)	(4,888)	(13,889)
Exchange difference on translating foreign operations	-	-	-	-	-	732	-	-	-	3,172	3,904	(982)	2,922
Total	-	-	-	-	-	732	-	-	-	(5,829)	(5,097)	(5,870)	(10,967)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	317	-	317	-	317
At 30 September 2020 (unaudited)	<u>29,168</u>	<u>440,289</u>	<u>295,610</u>	<u>551</u>	<u>(31,315)</u>	<u>(2,349)</u>	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>(660,799)</u>	<u>72,645</u>	<u>(11,528)</u>	<u>61,117</u>

Notes:

- (a) As at 30 September 2020, the total issued share capital of the Company was approximately HK\$29.168 million (31 March 2019: approximately HK\$29.168 million) divided into 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (31 March 2020: 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK\$0.01 each (31 March 2020: HK\$0.01 each).
- (b) As stipulated by the relevant People's Republic of China ("PRC") laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the Board and by the relevant authority, to offset accumulated losses or increase capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	19,015	(24,379)
Net cash (used in)/generated from investing activities	(6,342)	761
Net cash generated from financing activities	76	923
Net increase/(decrease) in cash and cash equivalents	12,749	(22,695)
Cash and cash equivalents at 1 April	55,441	126,830
Cash and cash equivalents at 30 September, represented by:		
Bank balances and cash	68,190	104,135
Cash and cash equivalents at 30 September	68,190	104,135

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30 September 2020

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 at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at Unit 3309, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The 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 PRC.

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable individual HKFRSs, 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 Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative financial instruments) and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Other than the changes in accounting policies resulting from application of new HKFRSs, in preparing these Interim Financial Statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

3. Significant Accounting Policies

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the Amendments to Reference to the Conceptual Framework in HKFRS standards and the amendments to HKFRS in the current period has had no material impact on the Company's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statement.

4. Revenue

Revenue represents those generated from 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 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Provision of general hospital services	<u>12,711</u>	<u>46,336</u>	<u>22,537</u>	<u>100,783</u>

5. Segment Information

Information reported internally to the chief operating decision maker 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. The chief operating decision maker has decided to combine the provision of general hospital service and the provision of healthcare and hospital management services into one single operation division in order to manage and review the performance of the hospital related business more efficiently. These divisions are the basis on which the Group reports its segment information.

For the six months ended 30 September 2020, the Group only engaged in provision of general hospital services in the PRC. No analysis of the Group's results, assets and liabilities of other reportable segment is presented. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision makers.

6. (Loss)/profit from operations

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

(Loss)/profit from operations has been arrived at after charging:

Depreciation of property, plant and equipment	915	920	1,481	1,907
Depreciation of right-of-use assets	4,160	3,796	8,319	7,697
Staff costs (including Directors' remuneration)	5,700	10,766	12,981	21,552

7. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Interest on:

– Lease liabilities	1,570	1,254	3,074	3,053
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8. Taxation

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2019: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the general hospital services in the PRC (2019: approximately 25%).

9. (Loss)/profit per share

The calculation of basic loss per share for the three months ended 30 September 2020 was based on the loss for the period attributable to owners of the Company of approximately HK\$3.868 million (2019: profit attributable to owners of the Company of approximately HK\$7.076 million) and on the weighted average number of ordinary shares of approximately 2,818,249,944 shares (2019: 2,818,249,944 shares).

9. (Loss)/profit per share – continued

The calculation of basic loss per share for the six months ended 30 September 2020 was based on the loss for the period attributable to owners of the Company of approximately HK\$9.001 million (2019: loss attributable to owners of the Company of approximately HK\$0.905 million) and on the weighted average number of ordinary shares of approximately 2,818,249,944 shares (2019: 2,818,249,944 shares).

For the three months periods ended 30 September 2020 and 2019, and the six months periods ended 30 September 2020 and 2019, the calculation of diluted loss per share did not assume the exercise of the convertible notes and outstanding share options existed as at 30 September 2020 and 2019, respectively, as the exercise of the convertible notes and share options would decrease the loss per share, and therefore are anti-dilutive.

10. Trade and other receivables and deposits

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables, net	689	–
Prepayments and deposits paid	13,524	11,869
Other receivables	9,818	8,949
	24,031	20,818
<i>Less: Impairment loss recognised in respect of other receivables</i>	(2,482)	(2,482)
	21,549	18,336

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 the gross amount of trade receivables based on invoice date at the end of the reporting period:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0 to 90 days	211	–
91 to 180 days	478	–
181 to 365 days	–	–
Over 365 days	–	–
	689	–

11. Share capital

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2020 and 2019	110,000,000,000	1,100,000
Non-voting convertible preference shares of HK\$0.01 each at 30 September 2020 and 2019	<u>40,000,000,000</u>	<u>400,000</u>
	<u>150,000,000,000</u>	<u>1,500,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2020 and 2019	2,818,249,944	28,183
Non-voting convertible preference shares of HK\$0.01 each at 30 September 2020 and 2019	<u>98,500,000</u>	<u>985</u>
	<u>2,916,749,944</u>	<u>29,168</u>

12. Trade and other payables

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables	4,594	4,053
Accruals and other payables	<u>49,094</u>	<u>30,396</u>
	<u>53,688</u>	<u>34,449</u>

12. Trade and other payables – continued

The average credit period on purchases of certain goods is 90 days. The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0 to 90 days	2,656	3,077
91 to 180 days	1,323	–
181 to 365 days	588	949
Over 365 days	27	27
	4,594	4,053

13. Dividends

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2020 (2019: Nil).

14. Related party transactions

During the reporting period, other than those transactions and balances detailed elsewhere in the Interim Financial Statements, the Group had the following significant transactions with related parties which, in the opinion of the directors, were carried out in the ordinary courses of the Group's business:

a) *Key management personnel*

Remuneration for key management personnel, including amount paid to the Company's Directors and other members of key management during the period were as follows:

	Six months ended 30 September 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term employee benefits	3,344	3,708
Share-based payment expenses	–	–
	3,344	3,708

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2020 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$22.537 million (2019: approximately HK\$100.783 million), representing a decrease of approximately 77.64% as compared with the same period last year. The decrease was mainly related to the disposal of Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited (the “**Jiaxing Hospital**”). As discussed in the paragraph “**Business update in respect of Putian Edinburgh Friendship Hospital**”, a brand new hospital has commenced operation in the period under review.

Selling and distribution expenses for the period under review amounted to approximately HK\$6.166 million (2019: approximately HK\$57.685 million), a decrease of approximately 89.31%. The decrease was due to the disposal of the Jiaxing Hospital.

Administrative expenses for the period under review amounted to approximately HK\$24.016 million (2019: approximately HK\$34.820 million), a decrease by approximately 31.03%. The decrease was mainly related to the disposal of the Jiaxing Hospital.

The Group recorded a loss attributable to owners of the Company of approximately HK\$9.001 million for the period under review (2019: loss attributable to owners of the Company of approximately HK\$0.905 million). The increase in loss was mainly due to the recognition of gain on disposal of a subsidiary for the six months ended 30 September 2019.

Business Review and Outlook

General hospital services

During the six months ended 30 September 2020, the Group operated two general hospitals in Putian and Beijing, the PRC, which are principally engaged in the provision of hospital services including but not limited to medical wards, surgical wards, medical checkup and examination. The total turnover contributed by these hospitals for the six months ended 30 September 2020 was approximately HK\$22.537 million (2019: approximately HK\$100.783 million for two general hospitals in Jiaxing and Beijing), a decrease by approximately about 77.64%. The decrease was mainly related to the disposal of Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited.



Future Prospects

The access to the quality and affordable healthcare services to treat some fast-growing chronic diseases is considered as the key to the implementation of Healthy China Plan (2019-2030). China has become one of the largest countries with more than 249 million seniors who depend on accessible and adequate care. Approximately 180 million of them require special medical treatment of chronic diseases. As a result, the increasing demands are the driving forces to improve and to expand the existing healthcare infrastructures, including hospitals, clinics and testing facilities across the country. The latest statistics indicate that both the hospital numbers and patient visits have gone up to meet the demands. China's healthcare industry is expected to reach RMB8 trillion by 2020. The management believes that despite the COVID-19, the healthcare industry shows more potential for both financial and technological investments in the country in accordance with the economic growing targets of the country in "14th Five Year Plan" which begins in 2021. As such, the management foresees more opportunities available to deliver quality services through the general and specialized medical models. The healthcare demands will continue to drive our hospitals and special services to further development and to build reputation and branding working with our international and domestic partners, thus allowing us to be well poised to take advantage of the favorable situations in the country.

In line with the fast growing market and increasing demands, the management continues to focus on the training of medical staff, the exploration of the new business approaches, the quality and safety of medical services and the optimization of our resources for the better outcomes both medically and financially. The Group continues to position its businesses to a long-term development strategy by closely working with the leading medical organizations to bring the new technologies, the well proved service models, and especially the promising medical informatics to our existing hospitals and new business ventures. The Group is well prepared to demonstrate our efforts to reach the expected outcomes of hospital operation in the year of 2021.

Capital Structures, Liquidity and Financial Resources

The Group had total cash and cash equivalents of approximately HK\$68.190 million as at 30 September 2020 (31 March 2020: approximately HK\$55.441 million).

The Group recorded total current assets of approximately HK\$95.396 million as at 30 September 2020 (31 March 2020: approximately HK\$80.554 million) and total current liabilities of approximately HK\$60.164 million as at 30 September 2020 (31 March 2020: approximately HK\$40.950 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.586 as at 30 September 2020 (31 March 2020: approximately 1.967).

Gearing Ratio

Gearing ratio (total borrowings comprises bill payables, bank borrowings, convertible note and promissory note, net of cash and bank balances, over equity attributable to owners of the Company) as at 30 September 2020 was approximately N/A (31 March 2020: approximately N/A).

Capital Commitment

As at 30 September 2020, the Group had no material capital commitment (31 March 2020: Nil).

Significant Investments Held

As at 30 September 2020, the Group did not hold any significant investment (31 March 2020: Nil).

Contingent Liabilities

As at 30 September 2020, 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 (31 March 2020: Nil).



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.

Dividends

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2020 (2019: Nil).

Foreign Exchange Risk

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. As the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the six months ended 30 September 2020.

Charges on the Group's Assets

As at 30 September 2020, the Group's bank deposits of approximately HK\$Nil (31 March 2020: approximately HK\$Nil) were pledged as collateral to secure general banking facilities granted to the Group.

Employee Information

As at 30 September 2020, the Group had 265 (31 March 2020: 233) full time employees. During the six months ended 30 September 2020, the staff costs, including Directors' remuneration, totalled approximately HK\$12.981 million (2019: approximately HK\$21.552 million). Share options and bonuses are also available to the Group's employees at the discretion of the Board and depending upon the financial performance of the Group. The Group's employment and remuneration policies remained the same as detailed in its annual report for the year ended 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the period under review.

COOPERATION FOR THE OPERATION OF THE INTERNATIONAL DIABETES CENTER IN HAINAN, THE PRC

Reference is made to the annual report of the Company for the year ended 31 March 2020. On 3 November 2019, a PRC investment company (the “**PRC Investor**”), a PRC hospital operator (the “**PRC Hospital**”) and Edinburgh International Investments Ltd. (“**Edinburgh International**”), an indirect non wholly-owned subsidiary of the Company, entered into the letter of intent in relation to the cooperation (the “**Cooperation**”) for the establishment of an international diabetes center (the “**International Diabetes Center**”) in Hainan, the PRC, being the clinical services pilot project for sino-foreign collaborative International Diabetes Center, which aims to introduce clinical proof diabetes diagnosis and treatment technology from international experience to provide diabetes diagnosis and treatment programme in the PRC, in order to attract patients to the Boao Lecheng International Medical Tourism Pilot Zone# (博鰲樂城國際醫療旅遊先行區) to enjoy medical tourism services.

On 31 July 2020, the PRC Investor and Edinburgh International Hospital Management (Shenzhen) Co. Ltd.# (愛丁堡國際醫院管理(深圳)有限公司) (“**Edinburgh Hospital Management**”), a wholly-owned subsidiary of Edinburgh International, entered into a cooperation agreement, pursuant to which, among others, the PRC Investor has agreed to provide funding for the operation of the International Diabetes Center that will be operated by Edinburgh International Diabetes (as defined below) in Hainan, and Edinburgh Hospital Management has agreed to, or procure its wholly-owned subsidiary to, enter into a separate cooperation agreement with the PRC Hospital.

On 5 August 2020, the PRC Hospital and Edinburgh International Diabetes Hospital (Hainan) Co. Ltd.# (愛丁堡國際糖尿病醫院(海南)有限公司) (“**Edinburgh International Diabetes**”), a wholly-owned subsidiary of Edinburgh Hospital Management, entered into a cooperation agreement, in relation to the operation of the International Diabetes Center.

For more details, please refer to the announcement of the Company dated 18 August 2020.



BUSINESS UPDATE IN RESPECT OF PUTIAN EDINBURGH FRIENDSHIP HOSPITAL

With effect from 17 July 2020, Edinburgh International Hospital had change its name to Putian Edinburgh Friendship Hospital# (莆田愛丁堡友好醫院) (“**Putian Edinburgh Friendship Hospital**”).

On 17 July 2020, Putian Edinburgh Friendship Hospital had successfully obtained the medical licence for its operations, and had commenced business.

For more details, please refer to the announcements of the Company dated 26 September 2018, 12 October 2018, 2 April 2019, 6 August 2019 and 29 July 2020, respectively.

TERMINATION OF MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION

On 13 March 2020, Ally Health International Limited (a wholly-owned subsidiary of the Company) (the “**Purchaser**”) and Deng Ruibao# (鄧瑞寶) (the “**Vendor**”) entered into the memorandum of understanding (the “**MOU**”), pursuant to which the Purchaser intends to acquire and the Vendor intends to dispose of not less than 70% of the equity interest in Changzhou Shuguang Medical Beauty Hospital Limited# (常州曙光醫療美容醫院有限公司) (the “**Possible Acquisition**”). The MOU provides an exclusivity period of 180 days from the date of MOU, during which the parties shall negotiate in good faith to procure a formal agreement to be entered into.

On 10 August 2020, the Purchaser and the Vendor entered into a termination agreement to terminate the MOU with immediate effect, as after further negotiation and discussion, the Purchaser and the Vendor decided not to proceed with the Possible Acquisition.

Accordingly, pursuant to the MOU, the Vendor has refunded the refundable deposit in the amount of HK\$1,000,000 in full (without interest) to the Purchaser.

For more details, please refer to the announcements of the Company dated 13 March 2020, and 10 August 2020, respectively.

CHANGE OF REGISTERED OFFICE AND ADDRESS OF PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

With effect from 1 April 2020, the registered office and the address of the principal share registrar and transfer office of the Company in the Cayman Islands, Tricor Services (Cayman Islands) Limited have been changed to Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company's branch share registrar and transfer office in Hong Kong is still maintained by Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Subscription of shares in Edinburgh International

On 5 October 2020, Sino Business Investment Development Limited (“**Sino Business**”), an indirect wholly-owned subsidiary of the Company, executed the subscription letter dated 5 October 2020 in favour of Edinburgh International, an indirect non wholly-owned subsidiary of the Company, pursuant to which Sino Business subscribed for 96 subscription shares, representing 24% of the issued share capital of Edinburgh International as enlarged by the allotment and issue of the subscription shares, at the subscription price of RMB114,218.75 (equivalent to approximately HK\$130,209.38) per subscription share. The total consideration payable for the subscription was RMB10,965,000 (equivalent to approximately HK\$12,500,100).

Completion of the subscription took place on the same date, the shareholding interest of Sino Business in Edinburgh International increased from 51% to 75%.

For more details, please refer to the announcement of the Company dated 5 October 2020.

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

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 September 2020, 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) ("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 September 2020, 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 September 2020, other than the interests of Directors or chief executives of the Company as disclosed in the paragraph headed "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:

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

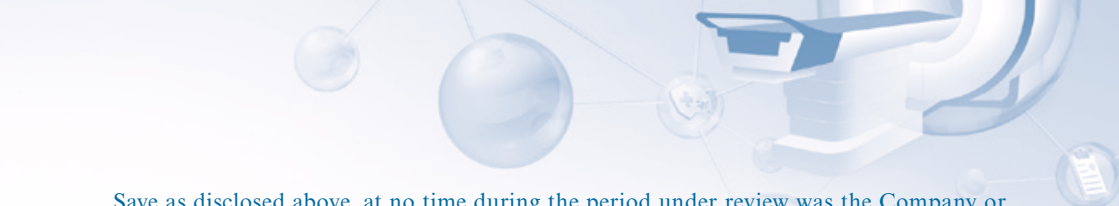
Notes:

- (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 September 2020, 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

Apart from as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures 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 period under review 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 SCHEMES

No share option has been granted, exercised, cancelled or lapsed under the share option scheme for the six months ended 30 September 2020. As at 30 September 2020, there was no outstanding share options.

The Company had adopted the share option scheme on 10 August 2011, and the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the share option scheme adopted on 10 August 2011:

(A) Purpose of the share option scheme

The purpose of purpose of the share option scheme is to enable the Company to grant share options to the Eligible Participants (as defined below) 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.

(B) Participants of the share option scheme

The participants (the “**Eligible Participants**”) of the share option scheme shall be any employee of the Company or any of its subsidiaries including any executive and non-executive directors of the Company or any of its subsidiaries, and any suppliers, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

(C) Total number of shares available for issue under the share option scheme

Under the share option scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the number of the issued shares as at 17 August 2015, being the date of the annual general meeting of the Company refreshing the scheme mandate limit, which allowed the Directors to grant share options to subscribe for up to 169,876,994 shares of the Company, unless the Company obtains a fresh approval from the shareholders of the Company.

As at the date of this report, the total of 169,876,994 shares available for issue under the share option scheme, represents approximately 6.03% of the issued share capital of the Company.

(D) Maximum entitlement of each participant under the share option scheme

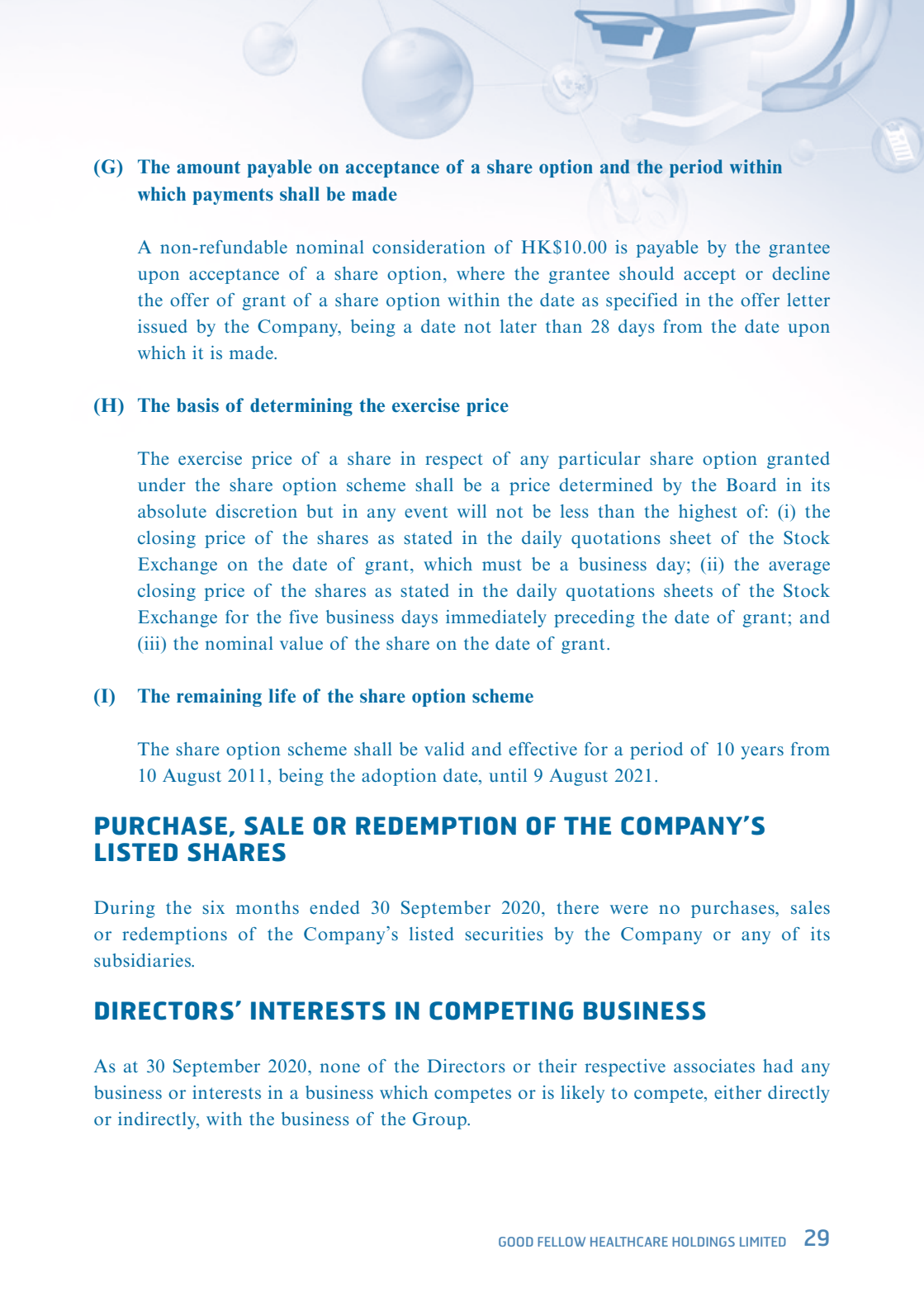
The maximum entitlement of each participant under the share option scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of shares of the Company in issue.

(E) The period within which the shares must be taken up under a share option

The period during which a share option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) The minimum period for which a share option must be held before it can be exercised

As determined by the Board upon the grant of a share option.



(G) The amount payable on acceptance of a share option and the period within which payments shall be made

A non-refundable nominal consideration of HK\$10.00 is payable by the grantee upon acceptance of a share option, where the grantee should accept or decline the offer of grant of a share option within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made.

(H) The basis of determining the exercise price

The exercise price of a share in respect of any particular share option granted under the share option scheme shall be a price determined by the Board in its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant.

(I) The remaining life of the share option scheme

The share option scheme shall be valid and effective for a period of 10 years from 10 August 2011, being the adoption date, until 9 August 2021.

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

During the six months ended 30 September 2020, 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 September 2020, 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 six months ended 30 September 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 six months ended 30 September 2020.

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, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur. Ms. Wong Ka Wai, Jeanne is the chairlady of the 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, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur. 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, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

The primary duties of the Audit Committee are: (i) to 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 period under review has not been audited by the auditor of the Company, but has been 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, 10 November 2020

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

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; Dr. Liu Chenli as a non-executive Director; and Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur as independent non-executive Directors.

This 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 publication and on the Company’s website at www.gf-healthcare.com.