GOLDEN MEDITECH HOLDINGS LIMITED

金衛醫療集團有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 801.HK)

ANNUAL REPORT

2011/2012

Enhancing
Shareholders' Value

Contents

CORPORATE PROFILE

Golden Meditech Holdings Limited (the "Company" or "Golden Meditech"; 801.HK), together with its subsidiaries (collectively referred to as the "Group"), is a leading integrated healthcare enterprise in China.

Golden Meditech is recognised as the first-mover in China's healthcare industry with a proven track-record in identifying, grooming and establishing business operations with dominant positions in niche markets within the industry, including medical devices, cord blood banking, hospital management and related healthcare services.

Over the years, we have successfully established dominant positions in each niche market, thanks to our strengths in innovation, market expertise, our proven strategy and our ability in capturing emerging market opportunities. This has enabled us to unleash the intrinsic value of each business unit, release the Group's resources to focus on operations, speed up the uptake of market share and effectively accelerate our business growth.

THE HEALTHCARE SERVICES SEGMENT

Focusing on hospital management and related services, the Group is the first wholly-owned foreign enterprise licensed as a nationwide hospital management operator in China. We currently manage the two largest haematology specialist hospitals in China under the reputable "Daopei Hospital" brand name, and Shanghai East International Medical Center ("SEIMC"), a renowned hospital serving high-end Chinese and foreign expatriates in Shanghai.

GM-Medicare Management (China) Company Limited is the first medical insurance administration, Third – Party Administration ("TPA") service provider in China, connecting medical insurance companies, hospitals, and end-users by providing claim processing and bill settlement services.

This segment also includes the Group's stake in China Cord Blood Corporation ("CCBC"; CO.US), the first and largest umbilical cord blood bank operator in China that owns exclusive licenses in Beijing, Guangdong, and Zhejiang Province, and an investment in the exclusive cord blood bank operator in Shandong. CCBC remains the single largest shareholder of American Association of Blood Banks ("AABB") accredited Cordlife Group Ltd. (P8A. SGX), Southeast Asia's largest cord blood bank operator and Cordlife Limited (CBB. AX).

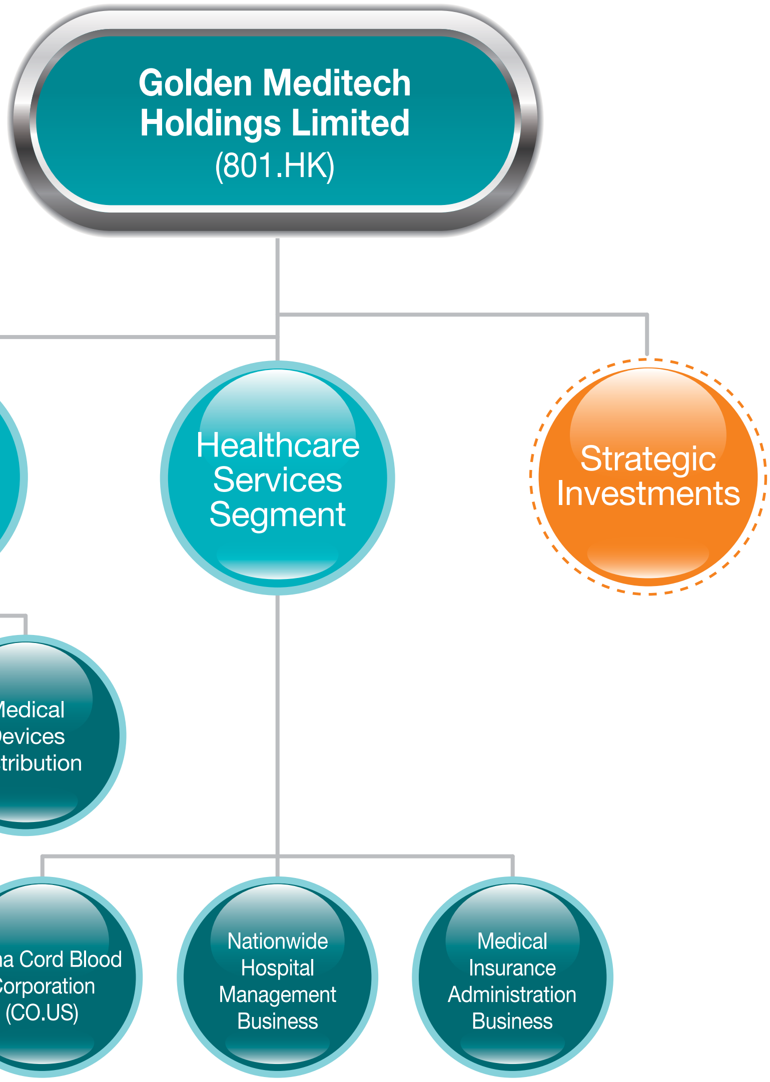
THE MEDICAL DEVICES SEGMENT

Primarily engaged in the development, manufacture, sales and distribution of blood-related medical devices for blood recovery, purification, treatment, and preservation technologies and is a leading home-grown medical devices brand in China. Our key products include the Autologous Blood Recovery System (the "ABRS"), the first device of its kind to obtain the approval of the State Food and Drug Administration ("SFDA"), the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump.

VISION AND MISSION

The Group is committed to achieving long-term growth through focusing on healthcare services and medical devices operations, addressing both hospital and general public markets, investing in healthcare projects with huge market potential, limited competition, and high investment returns, in order to continuously enhance shareholders' value through successful listings of operations.

Our vision is to become the leading integrated healthcare enterprise in China, creating a balanced portfolio and enabling each business operation to be a leader in their respective market. Our organization goal is to endeavor to benchmark ourselves alongside global industry leader in both quality and standards.


Golden Meditech Holdings Limited (801.HK)
Medical Devices Segment
Healthcare Services Segment
Strategic Investments
Medical Devices Manufacturing
Medical Devices Distribution
China Cord Blood Corporation (CO.US)
Nationwide Hospital Management Business
Medical Insurance Administration Business

CORPORATE HISTORY AND MILESTONES

2012

- The Group disposed 3% interest in Fortress Group Limited ("Fortress") for US$15 million, which wholly-owns the privatised FunTalk China Holdings Limited ("FunTalk China") after a successful de-listing from NASDAQ
- Acquired Shanghai East International Medical Center ("SEIMC") to enter into premium healthcare services
- Acquired a 500-bed hospital facility in Beijing that is scheduled for launch by the end of 2012

2011

- Became the first healthcare enterprise from Mainland China to successfully list its depositary receipts on the Taiwan Stock Exchange
- China Cord Blood Corporation ("CCBC", CO.US), secured an exclusive license to operate cord blood banking business in Zhejiang Province

2010

- Changed its name to "Golden Meditech Holdings Limited", to better reflect the Group's integrated business model, multiple revenues streams and depth exposure in China's healthcare industry
- Launched China's first third-party medical insurance administration TPA, GM-Medicare Management (China) Company Limited, as a joint-venture with two leading US-based health maintenance organisations (HMOs)

2009

- New cord blood storage facility, then the largest cord blood storage facility in the world in terms of capacity and daily processing volume, commenced operation in Beijing
- Transferred listing from the Growth Enterprise Market ("GEM") onto the Main Board of The Hong Kong Stock Exchange Limited (801.HK)
- Completed the acquisition of the hospital management business
- CCBC successfully listed on New York Stock Exchange
- FunTalk China successfully listed on NASDAQ (later became Fortress)

2008

- Obtained State Food and Drug Administration ("SFDA") approval for Plasma Exchange System and Accelerated Thermostatic Infusion Pump
- New cord blood storage facilities in Guangdong Province commenced operation

2007

- Expansion of cord blood banking business into Guangdong Province

2006

- Strategic investment in Pypo Technology (later became FunTalk China and Fortress)

2004

- Strategic investment in Union China National Medical Equipment Corporation Limited ("UCMC") (later became China National Medical Equipment Co. Ltd., ("CMIC"), a large sino-foreign joint venture and one of the leading medical device distributors in China)

2003

- Strategic investment in the first cord blood bank in China and commencement of cord blood banking operation in Beijing

2002

- Medical devices production facility in Beijing obtained GMP certification and commenced production

2001

- Listed on the GEM of The Stock Exchange of Hong Kong Limited (8180.HK)

2000

- Golden Meditech developed the Autologous Blood Recovery System ("ABRS") and became the first manufacturer to obtain SFDA approval for domestically developed device

Dear Shareholders,

I take pleasure in presenting to you the Group's annual results for the fiscal year 2011 to 2012, during which we have seen sustained growth momentum and considerable progress in both of our core business operations in healthcare services and medical devices. Over the past years, our management team has successfully sustained a steady growth of our founding business – medical devices segment, while sparing no efforts in fostering the development of our healthcare services segment. I am proud to say that all these efforts have been paying off in the diversification of the revenue sources, and the establishment of a comprehensive business platform driven by medical devices and healthcare services businesses. As a result, we have witnessed a dynamic revenue growth of our hospital management business in recent years. All these accomplishment will be conducive for the Group to gain across-the-board exposure in China's healthcare industry and nurture business growth going forward.

I am pleased to report that the Group has not only achieved key milestones in our business development during the fiscal year of 2011 to 2012, but also seen a 32% increase in overall business turnover, up to HK$433,222,000. The hospital management business revenue reported a remarkable 83% year-on-year growth this year, totaling HK$147,110,000 for the year.

Due to the volatility of global capital markets, we saw substantial fluctuation in fair value of the Group's financial liabilities and financial assets, which are non-cash in nature. Consequently, the profit attributable to shareholders dropped by 55% to HK$152,877,000. If excluding such non-cash items, the profit attributable to shareholders totalled HK$237,400,000, representing an increase of 13% over the previous financial year, and this demonstrates the steady growth and sustained profitability of our core operations.

Although a quick economic recovery in Europe and the United States still remain uncertain, I would like to reiterate my confidence in the outlook of the healthcare industry in China that is driven by more than growth in domestic market, levels of consumer spending, and favourable government policies on healthcare industries, unleashing market demand for better healthcare services.

In the past two years, for example, we have seen the introduction of numerous policies by the Ministry of Health and government departments at central and local levels that should foster an even more favourable environment for private enterprises such as Golden Meditech to participate in the provision of healthcare services, and such government policies will cover areas such as market entry, social medical insurance, land usage, human resources, etc.

In addition to a favourable policy environment and a generally strong economy, China's rapidly growing ageing population is also contributing to the sector growth. According to forecasts by the United Nations, China's aged population will be close to 230 million by the year of 2025, doubling the number in 2010. The ageing population means market size and the level of demand for healthcare services will continue to increase substantially.

The continuous process of rural-urban migration or urbanisation in China is another key factor leading to the number of urban population exceeded rural population for the first time in 2011. Evidently, this will exert additional demand-driven pressure on China's existing healthcare system. In consideration of such macroeconomic trends, the government has since 2007 increased its healthcare expenditure as a percentage of GDP, widening the healthcare coverage, with more resources to be trickled down into the healthcare ecosystem.

It is for these reasons, coupled the uniqueness of the Group's intrinsic disposition and business model, that I have great confidence that the Group will benefit from both favourable policies as well as domestic economic growth in China. Hence I have decided to increase my shareholding in the Group during the year. Along the same line, the Group's management also concurred that at the present market values it is an opportune juncture to increase its stakes in our

US-listed associate, China Cord Blood Corporation. It is our view that the current stock prices of both the Group and China Cord Blood Corporation have not reflected either firm's intrinsic value, making it a good time to redirect our resources towards repurchase of its own listed shares and strengthen our holdings in China Cord Blood Corporation for the long-term benefits of the Group and its shareholders.

During the year we are delighted to announce that we have also further increased our stake in the hospital management business to 75%, while at the same time strengthened our shareholders base via introducing New Horizon Capital as a significant strategic shareholder. This, in addition to the opening of our new 500-bed hospital in Beijing, will usher in a new epoch for further growth in our hospital operations.

This year we have also further enhanced our business structure to lessen our non-core holdings through the disposal of shares in Fortress Group Limited, our strategic assets, and focus on key businesses. The Management and myself concur that as our attempt to repatriate our shareholders for their incessant support, and in the Group and the shareholders' best interest, we have reinvested the proceeds from the disposal back into the Group's reasonably priced shares in view of the positive future outlook.

We are also pleased to see that China Cord Blood Corporation has received further endorsement from another global financial institution, KKR. In April 2012, KKR announced a US$65 million investment into China Cord Blood Corporation, an evidence of the positive outlook for its future prospects.

Golden Meditech has been a forerunner in China's healthcare industry: we were the first company to list our shares outside of China on the Hong Kong Stock Exchange in 2001, and we have also established the first, licensed cord blood banking operation in China in 2003 prior to China Cord Blood Corporation's public offering on the New York Stock Exchange in 2009. In addition to being a pioneer in different market segments, we have also undergone numerous key growth milestones as our business operations continue to evolve. I reckon that being a leading integrated healthcare enterprise in China, we will strive for further growth in all key operations, while enjoying considerable organic synergies amongst them. Whereas our ongoing mission will be to continue to build each business operation and enable each to be as a leading operator in their respective market, we will continuously seek to leverage our strengths in innovation and capture more opportunities arising from changes in structural demand and this, I believe, will maximize benefits for shareholders in a long run.

KAM Yuen
Chairman
27 June 2012

The board of directors (the "Board") is pleased to present the Group's annual results for the fiscal year ended 31 March 2012 as the Group continued to report growth in revenue from each business segment. Total revenue for the fiscal year rose by 32% to HK$433,222,000. Revenue from the Group's healthcare services business accounted for 34% of total revenue while medical devices business accounted for 60%. The gradual shift in revenue mix is in line with the expansion of the Group's business scope as we evolved from a single-business company, focusing on medical devices business, into a leading integrated healthcare enterprise in China, with business segments that are complementary and supplementary to each other.

The progression in revenue mix is primarily driven by our broadening healthcare services business portfolio over the past years. As a continuous effort to expand our healthcare services segment, in June 2011, the Group announced to acquire Shanghai East International Medical Center ("SEIMC") which began to contribute to the Group's revenue in August 2011. SEIMC, together with the two Daopei hematology hospitals located in Beijing and Shanghai, formed the foundation for our hospital management business. Another key revenue driver is the sales growth reported in the medical accessories for our flagship product, the Autologous Blood Recovery System under an increasingly favourable policy environment. In December 2011, to remedy the ongoing blood shortage in China, for example, the government has introduced the "General Hospital Standard Accreditation and Administration Standards." Such policies are befitting to encourage closer partnerships between public and private sectors in healthcare services provision, to allow for more comprehensive healthcare services with better quality and greater options for end-users.

Our operating margin narrowed from 67% to 7% for the current year. The drop was mainly caused by the unrealised loss on trading securities of HK$52,017,000 recorded this year as a result of decline in market value of the Group's certain security investments, as opposed to HK$96,787,000 unrealised gain on trading securities recorded in the previous financial year. In addition, since the healthcare services segment is still in a growth and investment stage, which in turn leaded to an increase in selling and administrative expenses. We would like to remind our shareholders that the operating margin is set to improve as soon as these new businesses, specifically the medical insurance administration business, continue to develop and expand.

Profit before tax for the period, which included contributions from our associates, China Cord Blood Corporation ("CCBC") and Fortress Group Limited ("Fortress", which privatised FunTalk China Holdings Limited ("FunTalk China"), a former NASDAQ listed company), but excluded non-cash impacts arising from the fair value accounting treatment for certain financial assets and financial liabilities, grew by 7% relative to the previous year as these two associates together contributed HK$158,192,000 in profits to the Group. Inclusive of these non-cash financial impacts, profit attributable to shareholders for the twelve month period has dropped by 55% to HK$152,877,000.

Several key events took place this year that will enable the Group to better utilise its resources and focus on our core healthcare services business in the long run. Among them, the Group disposed 3% equity interest in Fortress, for US$15 million in September 2011. Proceeds from the disposal were primarily used to buyback the Company's shares listed on the Hong Kong Stock Exchange as an avenue to repatriate our shareholders. Thereafter, the Group's shareholding in Fortress has become 29.4%.

In June 2011, we increased our stake in the growing hospital management business from 60% to 75%. The hospital management business is a key strategic focus in the Group's enlarged operation platform as mentioned above, and the augmented holding will enable us to benefit from the impending growth in the healthcare industry.

While we have increased our holding in the expanding hospital management business, we have simultaneously introduced New Horizon Capital, a China-focused institutional investor, to become a strategic shareholder of the Group in addition to strengthening our shareholder base in the process. New Horizon Capital is a veteran China-focused private equity investor with a business philosophy that is in-line with the Group's long term vision. With its extensive China-specific experience and industry knowledge, we believe bringing in such a strategic investor is a sound move that will benefit the Group in achieving its long term goals.

During the review period, the Group's Chairman, Mr. KAM Yuen has acquired additional shares in the Company equivalent to 2.63% of the then Company's total outstanding shares. As of the date of this report, Mr. Kam has increased his stake to 22.27% of the Company's total outstanding shares. The Chairman has made the decision to increase his shares based on the view that the Company's share price, at the time of the acquisition, was at a level lower that what was considered a fair and reasonable valuation of the Group's value based on its business performance and promising outlook.

For the same reasons, the Board has also made two key decisions at a corporate level to strengthen the Group's shareholding structure: Firstly, buying back the Company's shares from the open market. As a result of which, the total outstanding number of shares has decreased from 2,047,135,827 to 1,989,031,827; secondly, the Group has also increased its stake in its associate, CCBC that is listed on the New York Stock Exchange. The Board considers CCBC's recent share price does not reflect the intrinsic value to its earnings ability and growth potential and deem it a reasonable move.

Our confidence in CCBC's business prospects is also shared by the esteemed investment fund, Kohlberg Kravis Roberts ("KKR"). Subsequent to the reporting period, in April 2012, CCBC has secured US$65 million from KKR China Growth Fund through convertible notes issue.

HEALTHCARE SERVICES SEGMENT

Revenue from the healthcare services segment grew on a year-to-year basis by 84% to HK$147,921,000. This segment includes the two renowned Daopei hematology hospitals in Beijing and Shanghai and the branded international hospital situated in Shanghai – Shanghai East International Medical Center ("SEIMC") and GM-Medicare Management (China) Company Ltd. ("GM-Medicare"). The brand names of both Daopei and SEIMC are well respected in China. Performance of this segment is in-line with the Group's expectations as we have seen consistent contributions from the Group's haematology hospitals. SEIMC has also made significant contributions to the Group's revenue since August 2011.

In June 2011, the Group has announced the successful acquisition of a new hospital facility in Beijing's Haidian District, which consists of a partially completed hospital facility with a site area of approximately 18,692 square meters and permissible construction area of 74,035 square meters . This site will have 500-bed capacity after completion, five times the current capacity of Daopei hospital in Beijing. Construction of the new hospital is well-underway and is expected to be fully completed by the end of 2012. The new hospital will be a top-notched hospital that is set to provide haematology services in addition to other discipline and outpatient facilities to serve its surrounding neighborhoods.

The Management maintains the view that the hospital management market in China offers impressive growth prospects as general industry consensus expects China to take over the US as the largest healthcare market in the world by 2020.

The Group also made significant progress in its medical insurance administration business process outsourcing (BPO) joint venture, GM Medicare during the financial year. This business segment, providing administration outsourcing services for medical insurance companies and claim processing services for hospitals, has commenced trial operation during the year.

We are also pleased to learn that CCBC, our associate company, has reported RMB131,980,000 net profit during the fiscal year ended 31 March 2012 from RMB91,703,000 for the previous fiscal year, equivalent to a 44% growth. Total number of subscribers grew to 239,754, up 29% from the previous year. The Group has increased its shareholding in CCBC and currently owns 41.4% of its shares whereas CCBC contributed HK$63,683,000 to the Group during the reporting period.

A segmental financial breakdown of the Group's healthcare services segment (currently consists of hospital management business, medical insurance administration business and contribution from China Cord Blood Corporation) is as follows:

	FY2011-12 (HK$'000)	FY2010-11 (HK$'000)
Revenue from hospital management business	**147,110**	80,412
Revenue from medical insurance administration business	**811**	—
Selling and general administrative expenses	**62,591**	25,957
Profit before interests and tax	**23,764**	8,869
Profit/(loss) after tax	**5,762**	(2,488)
Shares of profits from associate - CCBC	**63,683**	41,720

MEDICAL DEVICES SEGMENT

With the introduction of a number of favourable policies, such as the "Level III General Hospital Accreditation and Administration Standards" implemented by the Ministry of Health and the "Rule 18" introduced by the Beijing Minicipal Health Bureau, the medical devices segment will benefit from a favourable regulatory environment in the future. Higher utilisation rate for the Autologous Blood Recovery Systems led to a 8.4% growth in revenue from the medical accessories, which are the exclusive consumables for our medical devices. Medical devices sales also grew by 3.4% as our products continue to secure our market share amongst top tier hospitals.

The Management expects further growth in this segment pursuant to the government policy, "Level III General Hospital Accreditation and Administration Standards" which demand hospital managers to initiate autologous blood recovery programmes to alleviate surgical blood shortages.

China National Medical Equipment Co. Ltd. ("CMIC"), an associate company of the Group and the affiliate company of Sinopharm Group, is one of the leading medical device distributors in China. The Group currently owns 17.5% stake in CMIC as its second largest shareholder whereas CMIC contributed HK$11,384,000 to the Group as an associate company during the reporting period.

The Group raised HK$283.3 million (US$36.5 million) in August 2010 to facilitate the expansion of its medical devices business and has announced its plan for a separate listing. As the medical devices business has observed satisfactory growth during the review period, coupled with the positive outlook for the medical devices segment in the coming years amidst a favourable regulatory environment, the Group has been reviewing the timing for a separate listing to cater to the best interest for all stakeholders.

A segmental financial breakdown for the Group's medical devices segment (currently consists of the manufacture and sale of medical devices and related accessories and contribution from CMIC) is as follows:

	FY2011-12 (HK$'000)	FY2010-11 (HK$'000)
Revenue from medical devices	**153,603**	148,581
Revenue from medical accessories	**104,209**	96,170
Selling and general administrative expenses	**35,318**	31,659
Profit before interests and tax	**149,648**	133,718
Profit after tax	**124,649**	111,012
Share of profits from associate - CMIC	**11,384**	7,408

STRATEGIC INVESTMENTS

The Group's strategic investments currently include 29.4% stake in Fortress and a Chinese herbal medicine business. The Chinese herbal medicine business consists of a GMP-approved production facility over a site area of 58,000 square meters located in a prime location in Municipal Shanghai. The operation contributed HK$27,489,000 to the Group's revenue during the reporting period.

In August 2011, Fortress was established to effect a privatisation of FunTalk China which was previously listed on the NASDAQ. As a result of the restructuring and privatisation, the Group's interest in Fortress (previously, FunTalk China) was increased from 25% to 32.4%. The Group has disposed 3% stake in Fortress for US$15 million in September 2011, effectively reducing its shareholding to 29.4%. Proceeds from the disposal were primarily used to repurchase the Group's own shares from the open market and to increase its stake in its associate, CCBC.

Fortress contributed HK$94,509,000 to the Group with 28% increase relative to the previous year.

A segmental financial breakdown of the Group's strategic investments is as follows:

	FY2011-12 (HK$'000)	FY2010-11 (HK$'000)
Revenue from Chinese herbal medicine business	**27,489**	2,903
Selling and general administrative expenses	**51,408**	4,230
Loss before interests and tax	**(31,131)**	(1,753)
Loss after tax	**(25,050)**	(1,270)
Share of profits from associate - Fortress	**94,509**	73,811

GROUP STRATEGY AND OUTLOOK

The Group adheres to the view that the overall outlook of China's healthcare industry will remain positive as the socioeconomic environment is conducive to higher demand for better quality care in addition to the government's ongoing initiatives to improve accessibility of healthcare services. On the other hand, new policies on taxation and land usage, enlarged coverage on social medical insurance and other incentives have been introduced to encourage private investment in healthcare industry, which are a highly beneficial move to the Group's hospital management business. These policies and incentives are in-line with the overall key objective in China's ongoing medical reform which will allow public resources to better-serve the basic needs in medical care while continuing to open up new market segments and creating greater room for private enterprises to provide premium services that are supplementary to public healthcare provision.

China's hospital market offers impressive growth prospects with industry analysts sharing a consensus view to expect China to take over the US as the largest healthcare market in the world by 2020. The Group will continue to focus on the healthcare industry while building on its integrated healthcare business platform in China. The new site for the expanded Daopei Hospital in Beijing will be another growth catalyst to this segment. We believe the opening of the new Beijing hospital will be instrumental in cementing the Group's market position in the rapidly growing private hospital market in China. We endeavour to expand our operations in the hospital management business and strengthen its brand name and revenue base. Hence the Management will continue to progressively yet prudently explore further expansion opportunities in the hospital management market.

We also see that the Group's medical devices segment will further benefit from a favourable policy environment that is supportive to alternative solutions to allogenic blood transfusion. We believe our product penetration into lower-tiered hospitals and the improvement in utilisation will be beneficial to our medical devices segment in the long run.

GROUP FINANCIAL REVIEW

Our core businesses reported steady revenue growth for the year ended 31 March 2012 at HK$433,222,000, representing an increase of approximately 32%. The medical devices segment remained the largest source of revenue and contributed HK$257,812,000, a 5% increase year-on-year, equivalent to 60% of the Group's total revenue. Revenue from the healthcare services segment totalled HK$147,921,000, which accounted for 34% of the Group's total revenue, a significantly larger portion of the Group's operations, with a 84% growth compared to last year.

Gross Margin

While the Group reported stable revenue growth in all business areas, the Group's gross profit margin increased slightly by 3% to 61% compared to last year. The medical devices segment and the healthcare services segment posted a gross margin of 64% and 58% respectively.

Selling and Administrative Expenses

The Group's enhanced marketing and business development initiatives across all business segments, particularly those in its hospital management business, medical insurance administration business and the Chinese herbal medicine business acquired and being consolidated to our book in previous year, selling and administrative expenses incurred for the fiscal year 2012 stood at HK$203,828,000, up 70% over the same period last year. The management has been rigorous in monitoring expenses while maintaining costs at a reasonable level.

Other Net Loss

During the reporting period, the Group recorded other net loss of HK$51,298,000. This was mainly due to the recognition of unrealised loss as a result of the decline in market value in the security investment held by the Group which was in turn caused by the global economy downturn.

Operating Profit

The Group's operating profit amounted to HK$30,572,000, a drop as compared to the previous year. The decrease was mainly attributable to the unrealised loss of HK$52,017,000 recorded this year as a result of decline in market value of the Group's security investment, as opposed to a HK$96,787,000 unrealised gain recorded in the previous financial year. The spike in selling and administrative expenses also represented another factor leading to the decrease in operating profit this year.

Finance Costs

Benefiting from lower interest rates, the Group's financial expenses stood at HK$5,990,000, 5% lower than the previous reporting period.

Changes in Fair Value of Financial Liabilities at Fair Value through Profit or Loss

During the year ended 31 March 2012, the Group recorded a non-cash financial loss of HK$32,506,000 as a result of remeasurement of the convertible notes of the Company and its subsidiary.

Income Tax

The Group's total income tax expense was HK$31,648,000, a 25% decrease from that of last year.

Profit Attributable to Equity Shareholders

During the reporting period, the Group maintained satisfactory growth across the board. Due to the non-cash impacts of the fair value changes of financial liabilities and financial assets and the increase in selling and administrative expenses, the Group's profit attributable to equity shareholders of the Company totalled HK$152,877,000, representing a 55% drop over the previous corresponding period.

Current Assets and Total Assets

As of 31 March 2012, the Group's total current assets and total assets were HK$1,216,013,000 and HK$6,979,375,000 (2011: HK$1,148,448,000 and HK$6,040,692,000), respectively.

Liquidity and Financial Resources

As of 31 March 2012, the Group's cash and bank deposits amounted to HK$819,963,000 (2011: HK$770,591,000); total interest bearing debts stood at HK$653,916,000 (2011: HK$680,910,000) and share repurchase obligations amounted to HK$554,167,000 (2011: HK$511,791,000).

The Group has net current liabilities of HK$369,376,000 as at 31 March 2012, including certain convertible notes due in 2014 which have put options to allow notes holders to exercise the options earlier.

The Group plans to improve its liquidity position in order to manage its working capital requirements and meet its obligations and commitments when they fall due. Subsequent to 31 March 2012, the Group has negotiated and reached an agreement with certain holders of the put options issued in association with the convertible notes and the share repurchase obligations for the revision of the terms of the put options so that these holders of the put options would not exercise the options during the next twelve months subsequent to 31 March 2012. Meanwhile, the Group is considering other measures, including but not limited to, the realisation of part of its non-current assets so as to meet the Group's obligations and commitments when they fall due. In view of such, we consider that the Group would have sufficient working capitals for the next twelve months subsequent to 31 March 2012.

Debt Ratio

On the basis of total interest bearing liabilities divided by total equity, the Group's debt ratio was 13% as of 31 March 2012. From a long-term perspective, the management is committed to maintain an optimal equity debt ratio and a stable debt ratio, in order to achieve maximum capital efficiency.

Credit and Capital Policies

The Group adopts a relatively prudent approach in treasury policies, through continuous assessment of customers' financial status to minimise credit risk. The management closely monitors its cash flow status to mitigate liquidity risk to ensure the Group's capital structure should meet its cash flow requirements.

Employees

Excluding associates and jointly controlled entitles, the Group and its subsidiaries have employed 663 full-time staff in Hong Kong and in the Mainland. During the reporting period, total staff costs (including directors' remuneration and the Mandatory Provident Fund) amounted to HK$93,624,000.

Details of the Group's Pledged Assets

The Group has pledged assets with net book value of HK$109,056,000 as collateral for a bank loan as of 31 March 2012.

Dividend

At the meeting of the Board held on 27 June 2012, the directors recommended the payment of a final dividend of HK1 cent per share for the year ended 31 March 2012 (2011: HK$nil). Shareholder will be given an option to receive the final dividend in cash or in lieu of cash by scrip dividend (the "Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed final dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be allotted and issued under the Scrip Dividend Arrangement. Full details of the Scrip Dividend Arrangement will be set out in a circular to be dispatched to the shareholders.

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report for the year ended 31 March 2012.

Good corporate governance has always been recognised as vital to the Group's success and development. The Board is committed to achieving and maintaining high standards of corporate governance. The Board recognises that such commitment is essential in upholding accountability and transparency, enhancing the performance of the Company and safeguarding the interests of the shareholders.

This report addresses the status of the Company's compliance with the principles and provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

THE CG CODE

The CG Code sets out the principles of good corporate governance and two levels of corporate governance practices, namely:

(a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or give considered reasons for any deviation therefrom; and

(b) recommended best practices (the "Recommended Best Practices") for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation therefrom.

The Company has applied the principles as set out in the CG Code and complied with all the Code Provisions throughout the year ended 31 March 2012, except for Code Provision A.2.1 of the CG Code. It has also put in place certain Recommended Best Practices. The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the CG Code.

The Board

Responsibilities

The Board is responsible to the shareholders for providing effective leadership, and ensuring transparency and accountability of the Group's operations. It sets the Company's values and aims at enhancing shareholders' value. It formulates the Group's overall strategy and policies; sets corporate and management targets, key operational initiatives, and policies on risk management pursuant to the Group's strategic objectives. It also monitors the Group's operational and financial performance; approves budgets, major capital expenditures, major investments, as well as material acquisitions and disposals of assets; oversees corporate and financial restructuring, and significant operational, financial and management matters.

The Board is also responsible for presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, providing price-sensitive announcements and other financial disclosures as required under the Listing Rules, as well as supplying to regulators all information required to be disclosed pursuant to any statutory requirement.

The Board delegates the day-to-day management, administration and operation of the Group's business to the management of the relevant segments and divisions. The management is responsible for the implementation and adoption of the Company's strategies and policies. The delegated functions and tasks are periodically reviewed by the Board.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Composition

The composition of the Board reflects a balance of skills and experience desirable for effective leadership of the Company so that independent judgement of the Board can be assured.

The Board currently comprises four Executive Directors and three Independent Non-Executive Directors.

Executive Directors:

Mr. KAM Yuen *(Chairman)*
Ms. JIN Lu
Mr. LU Tian Long
Ms. ZHENG Ting

Independent Non-Executive Directors:

Prof. CAO Gang	*(Chairman of Audit Committee and member of Remuneration Committee and Nomination Committee)*
Mr. GAO Zong Ze	*(Chairman of Remuneration Committee and Nomination Committee and member of Audit Committee)*
Prof. GU Qiao	*(Member of Audit Committee, Remuneration Committee and Nomination Committee)*

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

The Directors' biographical details are set out in the section "Biographical Details of Directors and Senior Management" of this annual report.

Independent Non-Executive Directors

Throughout the year ended 31 March 2012, the Company met the requirement of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one in possession of appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the Independent Non-Executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Although Mr. GAO Zong Ze and Prof. GU Qiao have served for more than nine years, the Directors are of the opinion that Mr. Gao and Prof. Gu continue to bring relevant experience and knowledge to the Board and that, notwithstanding their long service, they maintain an independent view of the Company's affairs. The Company considers that all Independent Non-Executive Directors are independent under the guidelines set out in rule 3.13 of the Listing Rules.

The Independent Non-Executive Directors possess a wide range of financial and operational expertise and experience. Their participation in Board and committee meetings helps to ensure that the interests of all shareholders of the Company are taken into account and that key issues vital to the success of the Company are subjected to independent and objective consideration by the Board.

Appointment and Succession Planning of Directors

Pursuant to the CG Code, there should be a formal, considered and transparent procedure for the appointment of new directors and plans should be in place for orderly succession for appointments to the Board.

During the year ended 31 March 2012, the Company does not have a nomination committee (the "Nomination Committee"). However, the Company follows a formal, considered and transparent procedure for appointing new Directors or nominating suitable candidates for approval of the shareholders either to fill the vacancies caused by the resignation of Directors or to appoint additional Directors. In compliance with the new Corporate Governance Code (the "New CG Code") which came into effect on 1 April 2012, the Nomination Committee had been established on 1 April 2012. The Nomination Committee comprises all three Independent Non-Executive Directors, namely, Mr. GAO Zong Ze (Chairman), Prof. GU Qiao and Prof. CAO Gang. The terms of reference of the Nomination Committee has been posted on the respective websites of the Company and the Stock Exchange.

The Board also regularly reviews its structure, size and composition to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group.

During the year ended 31 March 2012, the appointment or nomination of new Directors is a collective decision of the Board. In the selection process, the proposed candidates' skills, experience, professional knowledge, personal integrity and time commitments are taken into account having regard to the Company's needs and the relevant statutory requirements and regulations.

Each Director shall, after his appointment and on a timely basis thereafter, disclose to the Board the number and nature of offices held by such Director in other public companies and organisations and any other significant commitments.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Directors to fill a causal vacancy or as an addition to the Board shall be subject to re-election at the first annual general meeting after appointment.

In accordance with the Company's Articles of Association, Ms. JIN Lu, Ms. ZHENG Ting and Pro. GU Qiao shall retire by rotation at the annual general meeting of the Company to be held on 25 September 2012 and, being eligible, offer themselves for re-election. The Board recommends the re-appointment of the said Directors, whose biographical details are contained in the circular to be sent to the shareholders before the annual general meeting.

Ms. ZHENG Ting has entered into a service contract with the Company commencing on 29 June 2009 and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Each of the other Executive Directors has entered into a service contract with the Company commencing on 1 April 2005 and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Mr. GAO Zong Ze and Prof. GU Qiao, both of whom are Independent Non-Executive Directors, have each entered into a service contract with the Company for a term of one year commencing on 28 December 2004 and continuing thereafter until terminated by either party giving to the other not less than 30 days' notice in writing.

Prof. CAO Gang, an Independent Non-Executive Director, has entered into a service contract with the Company for a term of one year commencing on 23 September 2004 and continuing thereafter until terminated by either party giving to the other not less than 30 days' notice in writing.

No new Director was appointed during the year ended 31 March 2012.

Training for Directors

Every newly appointed Director is provided with an induction on the first occasion of his/her appointment to ensure that he/she has adequate understanding of the businesses and operations of the Group. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in other continuous professional development programmes for directors.

Chairman and Chief Executive Officer

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. KAM Yuen is the chairman and chief executive officer of the Company responsible for managing the Board and the Group's businesses. The Board considers that this structure will not impair the balance of power and authority in view of the current composition of the Board, which comprises, inter alia, three Independent Non-Executive Directors who bring strong independent judgement, knowledge and experience to the Board's deliberations. The Board believes that this structure is conducive to strong and consistent leadership for the Group, enabling it to make and implement decisions promptly and efficiently.

Mr. KAM has been both the chairman and chief executive officer of the Company since the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange ("GEM"). He has substantial experience in the healthcare industry. The Board and management are of the view that the assumption of these positions by Mr. KAM is beneficial to the business development of the Group.

Board Meetings

Regular Board meetings are held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2012, eight Board meetings were held.

Attendance of each Director at meetings of the Board, Audit Committee and Remuneration Committee held during the year is set out below:

	Attendance/Number of Meetings		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors:			
Mr. KAM Yuen *(Chairman)*	8/8	N/A	N/A
Ms. JIN Lu	8/8	N/A	N/A
Mr. LU Tian Long	8/8	N/A	N/A
Ms. ZHENG Ting	8/8	N/A	N/A
Independent Non-Executive Directors:			
Prof. CAO Gang	8/8	2/2	1/1
Mr. GAO Zong Ze	8/8	2/2	1/1
Prof. GU Qiao	8/8	2/2	1/1

Conduct of Meetings

In order to ensure the Board works effectively and discharges its responsibilities, all members of the Board have full and timely access to the latest developments and financial position of the Group and are properly briefed on issues arising for discussion at Board meetings.

All Directors are notified of regular Board meetings at least 14 days in advance. For other Board and committee meetings, reasonable notice is generally given.

Directors are consulted and provided with an opportunity to include matters in the agenda for discussion at Board and committee meetings. Information packages, including meeting agenda, board papers and all appropriate information, are sent to all Directors at least 3 days before each Board or committee meeting to enable them to make informed decisions.

The Company Secretary has the responsibility to keep the Directors informed of any new corporate governance issues and changes in the regulatory regime and ensure Board procedures are in compliance with the CG Code, and other statutory requirements. All members of the Board have full access to the Company Secretary.

Minutes of Board and committee meetings are recorded in sufficient detail and draft minutes are circulated to all Directors and committee members, as the case may be, for comment before approval. Minutes of Board and committee meetings are kept by the Company Secretary and are open for inspection by Directors.

The Board is provided with sufficient resources to discharge its duties and if required, individual Directors may retain outside advisors, at the Company's expense, to provide advice on any specific matter.

According to the current Board practice, any transaction which involves a material conflict of interest for a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting instead of by circulation of written resolutions of all Board members. The Company's Articles of Association also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Audit Committee

The Company established an audit committee (the "Audit Committee") in December 2001 and has formulated its written terms of reference in compliance with Rules 5.28 and 5.29 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") while it was listed on GEM. The Board has reviewed the terms of reference of the Audit Committee after the transfer of listing of the Company's shares from GEM to Main Board (the "Transfer Date") and confirmed that the terms of reference are in compliance with paragraph C.3.3 of the CG Code. In compliance with the New CG Code, the Board has adopted new terms of reference for the Audit Committee which has been posted on the respective websites of the Company and the Stock Exchange.

The Audit Committee comprises all three Independent Non-Executive Directors, namely, Prof. CAO Gang (Chairman), Mr. GAO Zong Ze and Prof. GU Qiao.

The Audit Committee's primary duties include the following:

- to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to assess their independence and performance, and also to approve the remuneration and terms of engagement of the external auditors;
- to review the Company's financial statements and make sure that they are complete, accurate and fair before submission to the Board;
- to consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors;
- to ensure compliance with the applicable accounting standards and regulatory requirements on financial reporting and disclosure; and
- to ensure effectiveness of the financial reporting process, as well as internal controls and risk management systems of the Group and to monitor the integrity thereof.

The Audit Committee held two meetings during the year ended 31 March 2012. Working closely with the management of the Company, the Audit Committee has reviewed the Company's annual and interim results, the accounting principles and practices adopted by the Group, discussed with the Board and management on internal controls, risk management and financial reporting matters, and reviewed the independence and performance of the external auditors. The Company's annual results for the year ended 31 March 2012 have been reviewed by the Audit Committee.

Executive Committee

The Company established an executive committee (the "Executive Committee") in April 2007 for the purpose of reviewing and approving certain operational matters of the Group in order to enhance the efficiency of the operation and decision-making process of the Board. Currently, the Executive Committee comprises the Chairman Mr. KAM Yuen and Ms. ZHENG Ting, an Executive Director. The primary functions of the Executive Committee include the establishment of bank accounts, the issue of shares upon the exercise of options granted or to be granted under the Company's share option schemes and the execution of repurchases of the Company's own shares. Meetings of the Executive Committee may be convened by any of its members and shall be held as its work demands.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") in June 2005 with written terms of reference in compliance with paragraph B.1.3 of the principles and provisions of the CG Code as set out in Appendix 15 of the GEM Listing Rules. The Board has reviewed the terms of reference of the Remuneration Committee after the Transfer Date and confirmed that the terms of reference are in compliance with paragraph B.1.3 of the CG Code. In compliance with the New CG Code, the Board has adopted new terms of reference for the Remuneration Committee which has been posted on the respective websites of the Company and the Stock Exchange.

The Remuneration Committee comprises all three Independent Non-Executive Directors, namely, Mr. GAO Zong Ze (Chairman), Prof. CAO Gang and Prof. GU Qiao.

The principal responsibilities of the Remuneration Committee include the following:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company;
- to determine the specific remuneration packages of all Executive Directors and senior management of the Company and to make recommendations to the Board on the remuneration of the Independent Non-Executive Directors; and
- to establish a formal and transparent procedure for developing the remuneration policy and structure and to ensure that no Director participates in deciding his/her own remuneration.

The emoluments of Directors, including basic salary and performance bonus, are determined by reference to each Director's skills, knowledge and level of responsibilities, the Company's performance and profitability, remuneration benchmarks in the industry and the prevailing market conditions.

Meetings of the Remuneration Committee are held at least once a year and additional meetings may be held as required. During the year, the Remuneration Committee held one meeting and has assessed the performance of each of the Executive Directors and certain senior management staff of the Company and made decisions regarding the payment of discretionary bonus.

Internal Controls

The Board has overall responsibility for maintaining the Group's internal controls system and through the Audit Committee, conducts reviews on the effectiveness of the internal controls system at least annually, covering all material controls, including financial, operational and compliance controls and risk management functions. During the process of annual review, the Board through the Audit Committee performs evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of relevant staff, and their training programmes and budget.

The Board is committed to strengthening the Group's internal controls system and improving the workflow with a view to enhancing efficiency and minimising any significant business risks. Accordingly, the Group has established a series of internal control rules and procedures covering all key areas of operations such as asset management, working capital management, investment management, human resources management, etc. The Group also refines continually the internal organisation structure in pursuit of a more systematic decision-making process and an efficient and effective operation and control environment.

Currently, the Group has not established an internal audit function. The Board has reviewed the need for setting up an internal audit function within the Group, and is of the opinion that in view of the scale and nature of the operations of the Group, it is more cost effective to appoint external independent professionals to carry out internal audit services for the Group. In this respect, the Board will continue to review the need for an internal audit function at least annually.

During the year, the Board appointed an international professional consultancy firm — Baker Tilly Hong Kong Business Services Limited to conduct a review of the internal controls system of the Group which covered all key areas of financial, operational, compliance, and risk management functions, and the results of the internal control review were submitted to the Audit Committee for consideration. The Audit Committee has reviewed the results of the internal control review and is satisfied that the Group's system of internal controls is sound and adequate.

The Board will continue to review and improve the Group's internal controls system, taking into account the prevailing regulatory requirements, the Group's business development, interests of shareholders, and technological advances.

Directors' Securities Transactions

The Company has adopted the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries by the Company indicate that all Directors have complied with the required standard of dealings for the year ended 31 March 2012.

Accountability and Audit

The Board is responsible for presenting a balanced, clear and understandable assessment of the Group's financial position and prospects. In preparing the financial statements for the year ended 31 March 2012, the Directors have selected suitable accounting policies and applied them consistently. The Directors have also made judgements and estimates that are prudent and reasonable and have prepared the financial statements on a going concern basis. There are no material uncertainties or events that may cast significant doubt on the Company's ability to continue as a going concern.

KPMG, the external auditors of the Company, acknowledge their responsibilities for the audit of the financial statements of the Company for the year ended 31 March 2012 in the Independent Auditor's Report included in this annual report.

For the year ended 31 March 2012, the fees payable to the external auditors for audit services were HK$5,799,000.

Investor Relations

The Company is committed to maintaining open dialogue with the investment community in order to increase understanding of the Company's strategy, operations and management. To enhance investor relations, the Company's senior management participates in regular one-on-one meetings, roadshows and investor conferences organised by various investment banks during the year. In addition, the Company also hosts regular investor briefings and tele-conferences, tailored for overseas investors, to keep them up to date with the Group's business developments.

The Company attaches great importance to communicating with its shareholders and investors. Information on the Group's activities, business strategies and developments is provided in the Company's annual and interim reports, corporate brochures and video. During the year, the Chairman attended and presided at all general meetings. Shareholders are encouraged to attend the general meetings of the Company, which offer a valuable forum for dialogues and interactions between the Chairman, the top management and the shareholders.

Separate resolutions were proposed at general meetings on each substantially separate issue. The Company arranges for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.

In order to promote effective communications and to keep the investors abreast of developments, financial and other information relating to the Group and its business activities, announcements are posted regularly on the Company's website at www.goldenmeditech.com.

DIRECTORS

Executive Directors

Mr. KAM Yuen (甘源), aged 50, is the Chairman, Chief Executive Officer and Compliance Officer of the Company, and the founder of the Group. Mr. Kam is also a director of several subsidiaries of the Company. He is responsible for the Group's overall strategic planning. Mr. Kam graduated from the Beijing Second Foreign Languages Institute, the PRC (北京第二外國語學院), in 1985 and has over 20 years of management experience in international business. Mr. Kam is the sole director of Bio Garden Inc., which has an interest in the share capital of the Company as disclosed under the provisions of Part XV of the Securities and Futures Ordinance.

Ms. JIN Lu (金路), aged 46, is an Executive Director of the Company and a director of several of its subsidiaries. She joined the Group in June 2000 and is in charge of the general administration and daily operations of the Group. Ms. Jin received her EMBA degree from Peking University's Guanghua School of Management, the PRC (北京大學光華管理學院), in 2005, and received her bachelor's degree from the Beijing Second Foreign Languages Institute, the PRC, (北京第二外國語學院) in 1987.

Mr. LU Tian Long (魯天龍), aged 60, has been an Executive Director of the Company since September 2001. He is now the Chairman of the medical devices operation. He has been responsible for the production, operations and overall management of the medical devices operation for years and has extensive experiences in managing high-tech firms. He was granted a PhD. degree in business administration by the Victoria University of Switzerland in 2008. Besides, he published many research reports and thesis on management of high-tech enterprises, including one focusing on "applying knowledge management for strategic development among China's high-tech firms".

Ms. ZHENG Ting (鄭汀), aged 40, is an Executive Director of the Company and a director of several of its subsidiaries. She is responsible for the Group's financial and internal control systems. Ms. Zheng is also the Chief Executive Officer of China Cord Blood Corporation and is responsible for the strategic management of that segment. Ms. Zheng joined the Group in September 2001. Ms. Zheng graduated from Renmin University of China (中國人民大學) in 1996 where she subsequently received an EMBA degree.

Independent Non-executive Directors

Prof. CAO Gang (曹岡), aged 68, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. He joined the Group in September 2004. Prof. Cao is a professor of Accountancy. He qualified as one of the first group of registered accountants in the PRC in 1983 and is currently a committee member of the Examination Committee of the Association of the Registered Accountants of the PRC.

Mr. GAO Zong Ze (高宗澤), aged 72, is an Independent Non-executive Director, a member of the Audit Committee and the chairman of the Remuneration Committee and the Nomination Committee. He joined the Group in September 2001. Mr. Gao is a qualified lawyer in the PRC, and has been a National Committee member of China's Chinese People's Political Consultative Conference (中國人民政治協商會議) and the president of the All China Lawyers' Association, the PRC (中華全國律師協會). Mr. Gao graduated from the Graduate School of the China Academy of Social Sciences, the PRC, (中國社會科學院) in 1981.

Prof. GU Qiao (顧樵), aged 65, is an Independent Non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He joined the Group in September 2001. Prof. Gu is a scientist in quantum-optics, biophysics and biological photonics and an Associate Professor of the Northwest University, the PRC (中國西北大學). He is also a member of the International Institute of Biophysics, Germany. Prof. Gu received his doctoral degree from the Northwest University, the PRC, in 1989.

SENIOR MANAGEMENT

Mr. KONG Kam Yu (江金裕), aged 43, is the Qualified Accountant and Company Secretary of the Company. He joined the Group in 2001, and is responsible for the Group's finances, corporate projects and company secretarial matters. Mr. Kong is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Prior to joining the Group, Mr. Kong worked with a leading international accounting firm.

Mr. YU Kwok Kuen Harry (余國權), aged 43, is the Chief Operating Officer of the Company. He joined the Group in August 2011. Mr. Yu has a master's degree in Business Administration from Manchester Business School and is an Associate of The Institute of Chartered Accountants in England and Wales, a Registered Accountant in Macau Special Administrative Region, and Fellows of both the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants. Prior to joining the Company, Mr. Yu was a partner at a leading international accounting firm.

Mr. GAO Guang Pu (高光譜), aged 49, Deputy General Manager of the medical devices operation. He joined the Group in October 1997, and is responsible for the production, operations and overall management of the medical devices operation. He is also responsible for various aspects of the production technology, including product standards, production procedures and technological improvements of the medical devices operation. Mr. Gao graduated from the English Language Department of Bejing Second Foreign Language Institute.

Mr. JING Jian Zhong (經 建 中), aged 58, is the Vice President of the Group, the Chief Executive Officer of Golden Meditech (Shanghai) Company Limited and the Chief Representative of the Group's Office in Shanghai and is responsible for the overall operation of the Group. He joined the Group in May 2008. He graduated from the Shanghai University of Chinese Medicines and has 15 years of investment and business development experiences in healthcare industry in addition to 20 years of clinical practices and teaching.

Mr. SHAO Bao Ping (邵寶平), aged 46, Chief Executive Officer of the Chinese herbal medicine operation, is in charge of the Chinese herbal medicine operation's daily operations. He joined the Group in August 2005. Mr. Shao obtained his master's degree from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences and has extensive work experience in the fields of pharmacology and herbal medicine. Mr. Shao has held key position in well-known enterprises in the PRC and has extensive corporate management experience.

Mr. DING Wei Zhong (丁偉中), aged 63, is the Chief Executive Officer of GM Medicare (China) Co., Ltd., having specialized in the medical and medical insurance management industry since 1998. He joined the Group in April 2010. Prior to relocating to the United States, Mr. Ding has held senior positions at the Aviation Industry Office of the Shanghai Municipal Government and China Airlines Group, in addition to serving as the CEO of the United Nations Institute for Training and Research (UNITAR) - CIFAL Network. Mr. Ding has a Bachelor's degree from Zhengzhou Institute of Aeronautical College and a Bachelor's degree in Economics from Fudan University, Shanghai.

Mr. ZHANG Jin Feng (張錦鋒), aged 48, is the Chief Executive Officer of the hospital management operation and is responsible for its daily operation and management. He joined the Group in July 2010. Mr. Zhang graduated from Shanghai Jiao Tong University with degree in clinical medicines and has over 20 years of relevant experiences working as a doctor in a Triple-A hospital and in business management. He used to serve as Director of Shanghai Center for Clinical Laboratory and Deputy General Manager of a domestically-listed high-tech firm.

Ms. DUAN Xuan (段萱), aged 48, is the President of Beijing Dao Pei Hospital, Managing Director of Shanghai Dao Pei Hospital and Executive Vice-Chairman of China Private Hospital Development League (中國民營醫院發展聯盟). She joined the Group in July 2008. Ms. Duan graduated with her BA degree from the Beijing Capital University of Medical Sciences, and obtained her MBA degree from the Cheung Kong Graduate School of Business. She ever worked for years as a doctor with Internal Medicine Department of Chao Yang Hospital and Haematology Department of the Peking University Renmin Hospital. In 2007, she was hired as an expert consultant of China Marrow Donor Program by Beijing Red Cross Association.

The Directors have pleasure in submitting their annual report together with the audited financial statements of Golden Meditech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in the Cayman Islands and has its principal place of business at No.11 Wan Yuan Street, Beijing Economic Technological Development Area, Beijing, 100176 China.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 18 to the financial statements.

An analysis of the Group's turnover, profit, assets and liabilities by operating segments is set out in note 14 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases during the financial year attributable to the major customers and suppliers, respectively, is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	35%	
Five largest customers in aggregate	76%	
The largest supplier		20%
Five largest suppliers in aggregate		62%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit and cash flows of the Group for the year ended 31 March 2012 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 43 to 156 of this annual report.

RESERVES AND DIVIDENDS

Profits attributable to equity shareholders of the Company of HK$152,877,000 (2011: HK$343,208,000) have been transferred to reserves. Other movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 50 to 51 of this annual report.

The Directors recommended the payment of a final dividend of HK1 cent per share in respect of the year ended 31 March 2012 (2011: HK$nil).

Shareholder will be given an option to receive the final dividend in cash or in lieu of cash by scrip dividend (the "Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed final dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be allotted and issued under the Scrip Dividend Arrangement. Full details of the Scrip Dividend Arrangement will be set out in a circular to be dispatched to the shareholders.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$nil (2011: HK$31,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 34(b) to the financial statements.

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

During the year ended 31 March 2012, the Company repurchased a total of 58,104,000 shares of HK$0.1 each at prices ranging from HK$0.82 to HK$0.89 per share on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company upon repurchase and the issued share capital of the Company was reduced by the par value thereof. The repurchases of shares during the year under review were effected by the Directors pursuant to the general mandate granted by shareholders at the annual general meeting of the Company held on 19 September 2011, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Details of the repurchases by the Company on the Stock Exchange during the year ended 31 March 2012 were as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share Highest (HK$)	Purchase price per share Lowest (HK$)	Aggregate price paid (excluding expenses) (HK$)
December 2011	58,104,000	0.89	0.82	48,619,000

The total expenses on the share repurchased was HK$229,000.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2012.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. KAM Yuen *(Chairman)*
Ms. JIN Lu
Mr. LU Tian Long
Ms. ZHENG Ting

Independent Non-Executive Directors

Prof. CAO Gang
Mr. GAO Zong Ze
Prof. GU Qiao

In accordance with Article 108 of the Company's Articles of Association, Ms. JIN Lu, Ms. ZHENG Ting and Pro. GU Qiao will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of the Directors and senior management are set out on pages 25 to 27 of this annual report. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 9 and 10 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Ms. ZHENG Ting has entered into a service contract with the Company commencing on 29 June 2009 and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Each of the other Executive Directors has entered into a service contract with the Company commencing on 1 April 2005 and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Independent Non-Executive Directors

Mr. GAO Zong Ze and Prof. GU Qiao have each entered into a service contract with the Company for a term of one year commencing on 28 December 2004 which will continue thereafter until terminated by either party giving to the other not less than 30 days' notice in writing.

Prof. CAO Gang has entered into a service contract with the Company for a term of one year commencing on 23 September 2004 which will continue thereafter until terminated by either party giving to the other not less than 30 days' notice in writing.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 March 2012, the interests and short positions of the Directors and chief executives of the Company in the shares and, in respect of equity derivatives, underlying shares in, and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(a) The Company

		Long positions Number of ordinary shares of HK$0.1 each			
Name of Directors	**Capacity and nature of interests**	**Number of ordinary shares of HK$0.1 each**	**Number of underlying shares held under equity derivatives**	**Total interests**	**Approximate percentage of the Company's issued share capital**
Mr. KAM Yuen	Founder of trusts	442,948,000[1]	-	442,948,000	22.27%
	Beneficial owner	-	67,006,245[2]	67,006,245	3.37%
Ms. JIN Lu	Beneficial owner	-	3,800,000[2]	3,800,000	0.19%
Mr. LU Tian Long	Beneficial owner	-	6,000,000[2]	6,000,000	0.30%
Ms. ZHENG Ting	Beneficial owner	-	7,600,000[2]	7,600,000	0.38%

Notes:

(1) Mr. KAM Yuen was deemed under the SFO to have an interest in 442,948,000 shares beneficially owned by Bio Garden Inc. ("Bio Garden"), a company incorporated in the British Virgin Islands ("BVI"), as at 31 March 2012 by virtue of his being the founder of certain discretionary trusts which owned the entire issued share capital of Bio Garden.

(2) These interests represent the Directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the Directors as beneficial owners, details of which are set out in the section headed "Share option schemes" below.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

(continued)

(b) China Cord Blood Corporation ("CCBC"), an associate of the Company as at 31 March 2012

		Number of ordinary shares of US$0.0001 each		
Name of Directors	**Capacity and nature of interests**	**Number of ordinary shares of US$0.0001 each**	**Total interests**	**Approximate percentage of the issued share capital of CCBC**
Mr. KAM Yuen	Beneficial owner	357,331	357,331	0.49%
Ms. ZHENG Ting	Beneficial owner	1,071,994	1,071,994	1.47%

Save as disclosed above, as at 31 March 2012, none of the Directors or the chief executives of the Company or their respective associates had any interests or short positions in the shares or, in respect of equity derivatives, underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

Share option schemes of the Company

The principal terms of the share option schemes of the Company are summarised in note 36(a) to the financial statements. The share option schemes have been terminated and no further share options will be granted under the schemes. In respect of the share options previously granted and which remained exercisable on or before the dates of termination, they shall continue to be exercisable subject to the terms of the share option schemes.

A summary of share options granted under the share option schemes of the Company is as follows:

Name of Directors and employees	Date of grant	Number of underlying shares in respect of which share options were outstanding as at 1 April 2011	Numbers of underlying shares in respect of which share options were exercised during the year ended 31 March 2012	Number of underlying shares in respect of which share options were outstanding as at 31 March 2012	Exercise price HK$	Market value per share at grant date HK$
Mr. KAM Yuen	30 March 2005[(1)]	63,206,245	-	63,206,245	1.76	1.56
	27 April 2009[(3)]	3,800,000	-	3,800,000	1.15	1.14
Ms. JIN Lu	27 April 2009[(3)]	3,800,000	-	3,800,000	1.15	1.14
Mr. LU Tian Long	4 March 2005[(2)]	400,000	-	400,000	1.60	1.60
	27 April 2009[(3)]	5,600,000	-	5,600,000	1.15	1.14
Ms. ZHENG Ting	4 March 2005[(2)]	2,000,000	-	2,000,000	1.60	1.60
	27 April 2009[(3)]	5,600,000	-	5,600,000	1.15	1.14
Full-time employees	4 March 2005[(2)]	11,870,000	-	11,870,000	1.60	1.60
(other than Directors)	27 April 2009[(3)]	26,533,000	-	26,533,000	1.15	1.14
		122,809,245	-	122,809,245		

The options granted to the Directors are registered under the names of the Directors who are also the beneficial owners.

SHARE OPTION SCHEMES (continued)

Share option schemes of the Company (continued)

Notes:

(1) The share options are exercisable as to:

- (i) up to 20% immediately after 6 months from the date of grant;
- (ii) up to 60% immediately after 18 months from the date of grant;
- (iii) up to 100% immediately after 30 months from the date of grant; and
- (iv) the share options will expire at the close of business on 3 March 2015.

(2) The share options are exercisable in full immediately 3 months after the date of grant and will expire at the close of business on 28 February 2015.

(3) The share options are exercisable as to:

- (i) up to 30% immediately after the date of grant;
- (ii) up to 60% immediately after 6 months from the date of grant;
- (iii) up to 100% immediately after 12 months from the date of grant; and
- (iv) the share options will expire at the close of business on 26 April 2019.

(4) No share options granted under the share option schemes of the Company were exercised, cancelled or lapsed during the year ended 31 March 2012.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes described above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or in respect of equity derivatives, underlying shares in, or debentures of, the Company or any other body corporate and no Directors or chief executives or their respective spouses or their children under eighteen years of age had been granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2012 the interests and short positions of the shareholders (not being Directors or the chief executives of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

(a) *Long positions of substantial shareholders*

Name	Capacity and nature of interest	No. of issued shares/ underlying shares	Approximate percentage of the Company's issued share capital
Bio Garden[1]	Beneficial owner	442,948,000 [4]	22.27%
Credit Suisse Trust Limited[2]	Trustee	442,948,000 [4]	22.27%
Fiducia Suisse SA (formerly known as "KF Suisse SA")[3]	Trustee	442,948,000 [4]	22.27%
Mr. David Henry Christopher Hill[3]	Interest of controlled corporation	442,948,000 [4]	22.27%
Mrs. Rebecca Ann Hill[3]	Interest of children under 18 or spouse	442,948,000 [4]	22.27%
Mr. Kent C. McCarthy[5]	Investment manager	457,872,702	23.02%
Jayhawk Private Equity Fund II, L.P.[5]	Investment manager	220,023,098	11.06%

(b) *Long positions of other persons who are required to disclose their interests*

Name of other persons who have more than 5% interest	Capacity and nature of interest	No. of issued shares/ underlying shares	Approximate percentage of the Company's issued share capital
Jayhawk Private Equity Fund, L.P.[5]	Investment manager	113,624,474	5.71%
Top Strength Holdings Limited[6]	Interest of controlled corporation	131,756,756	6.62%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

(1) Bio Garden is an investment holding company incorporated in the BVI. It was wholly-owned by certain discretionary trusts of which Mr. KAM Yuen was the founder.

(2) The corporate substantial shareholder notice filed by Credit Suisse Trust Limited indicated that Gold Rich Investment Limited ("Gold Rich") and Gold View Investment Limited ("Gold View") had, in aggregate, a 36% interest in Bio Garden which beneficially owned 442,948,000 shares as at 31 March 2012. Gold Rich and Gold View were in turn indirectly wholly-owned by Credit Suisse Trust Limited as trustee of certain discretionary trusts as referred to in (1) above. Accordingly, Credit Suisse Trust Limited was deemed, under the SFO, to have an interest in the 442,948,000 shares held by Bio Garden.

(3) The corporate substantial shareholder notice filed by Fiducia Suisse SA indicated that it had a 64% interest in Bio Garden which beneficially owned 442,948,000 shares as at 31 March 2012. Fiducia Suisse SA is a trustee of certain discretionary trusts as referred to in (1) above. Accordingly, Fiducia Suisse SA was deemed, under the SFO, to have an interest in the 442,948,000 shares held by Bio Garden. Fiducia Suisse SA was wholly owned by Mr. David Henry Christopher Hill. Mr. David Henry Christopher Hill and Mrs. Rebecca Ann Hill (being the spouse of Mr. David Henry Christopher Hill) were deemed, under the SFO, to have an interest in the 442,948,000 shares held by Fiducia Suisse SA.

(4) These interests represent the same block of shares of the Company.

(5) The corporate substantial shareholder notices filed by Jayhawk Private Equity Fund, L.P. and Jayhawk Private Equity Fund II, L.P. indicated that Mr. Kent C. McCarthy was a controller who held a 100% interest in both entities. Accordingly, Mr. Kent C. McCarthy would be deemed, under the SFO, to have an interest in the shares held by Jayhawk Private Equity Fund, L.P. and Jayhawk Private Equity Fund II, L.P. respectively.

(6) Top Strength is an investment holding company incorporated in the BVI. It was wholly-owned by New Horizon Capital III, L.P., a private equity fund specialized in project investments in China.

Save as disclosed above, as at 31 March 2012, the Directors are not aware of any other person or corporation having an interest or short position in the shares or underlying shares of the Company representing 5% or more of the issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules since 1 April 2011 and up to the date of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 March 2012 are set out in notes 29, 30, 32 and 33 to the financial statements.

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in note 40 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 157 and 158 of this annual report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 16 to 24 of this annual report.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 September 2011 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of changes
Mr. KAM Yuen	Annual salary was increased to HK$2,600,000 with effect from 1 April 2012
Ms. JIN Lu	Annual salary was increased to HK$780,000 with effect from 1 April 2012

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, namely Prof. CAO Gang, Mr. GAO Zong Ze and Prof. GU Qiao, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Although Mr. GAO Zong Ze and Prof. GU Qiao have served for more than nine years, the Directors are of the opinion that Mr. Gao and Prof. Gu continue to bring relevant experience and knowledge to the Board and that, notwithstanding their long service, they maintain an independent view of the Company's affairs. The Company considers that all Independent Non-Executive Directors are independent under the guidelines set out in rule 3.13 of the Listing Rules.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

KAM Yuen
Chairman

Hong Kong, 27 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GOLDEN MEDITECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golden Meditech Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 43 to 156, which comprise the consolidated and company statements of financial position as at 31 March 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 June 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Turnover	4	**433,222**	328,066
Cost of sales		**(169,899)**	(139,332)
Gross profit		**263,323**	188,734
Other revenue	5	**22,375**	39,501
Other net (loss)/income	6	**(51,298)**	112,026
Selling expenses		**(31,985)**	(6,428)
Administrative expenses		**(171,843)**	(113,664)
Profit from operations		**30,572**	220,169
Finance costs	7(a)	**(5,990)**	(6,338)
Changes in fair value of financial liabilities at fair value through profit or loss	32	**(32,506)**	36,009
Share of profits of associates	19	**169,576**	93,458
Share of (losses)/profits of jointly controlled entity	20	**(134)**	14,230
Gain on deemed disposal of partial interest in associates	19	**—**	46,669
Gain/(loss) on disposal of interest in associates	19 & 35(a)(iii)	**41,436**	(2,628)
Profit before taxation	7	**202,954**	401,569
Income tax	8(a)	**(31,648)**	(42,335)
Profit for the year		**171,306**	359,234
Attributable to:			
Equity shareholders of the Company	11	**152,877**	343,208
Non-controlling interests		**18,429**	16,026
Profit for the year		**171,306**	359,234
Earnings per share	13		
Basic (in cents)		**7.7**	19.9
Diluted (in cents)		**6.0**	15.4

The notes on pages 54 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Profit for the year		**171,306**	359,234
Other comprehensive income for the year (after tax and reclassification adjustments)			
Exchange reserve: net movement during the year, net of nil tax	12	**118,559**	82,894
Fair value reserve: net movement during the year, net of nil tax	12	**135**	(1,481)
Share of other comprehensive income of associates, net of nil tax		**57,833**	41,179
Share of other comprehensive income of jointly controlled entity, net of nil tax		**2,019**	6,098
Total comprehensive income for the year		**349,852**	487,924
Attributable to:			
Equity shareholders of the Company		**305,981**	455,085
Non-controlling interests		**43,871**	32,839
Total comprehensive income for the year		**349,852**	487,924

The notes on pages 54 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012		2011	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	15(a)				
– Property, plant and equipment			**969,668**		304,165
– Interests in leasehold land held for own use under operating leases			**1,745,964**		704,876
			2,715,632		1,009,041
Intangible asset	16		**831,462**		829,534
Goodwill	17		**503,181**		447,026
Interest in associates	19(a)		**1,486,742**		1,426,441
Interest in jointly controlled entity	20		**62,981**		61,096
Available-for-sale securities	21		**154,987**		146,409
Prepayments and deposits	22		**—**		963,768
Deferred tax assets	31(b)		**8,377**		8,929
			5,763,362		4,892,244
Current assets					
Trading securities	23	**117,341**		170,143	
Inventories	24(a)	**23,694**		17,565	
Trade and other receivables	25	**255,015**		190,149	
Time deposits	26	**49,346**		—	
Cash and cash equivalents	27(a)	**770,617**		770,591	
		1,216,013		1,148,448	

at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012		2011	
		$'000	**$'000**	$'000	$'000
Current liabilities					
Trade and other payables	28	**320,782**		167,439	
Bank loans and overdrafts	29	**307,300**		118,863	
Obligations under finance leases	30	**1,767**		1,809	
Current taxation	31(a)	**59,656**		34,420	
Financial liabilities at fair value through profit or loss	32	**341,717**		—	
Share repurchase obligations	33	**554,167**		—	
		1,585,389		322,531	
Net current (liabilities)/assets			**(369,376)**		825,917
Total assets less current liabilities			**5,393,986**		5,718,161
Non-current liabilities					
Other payables	28	**92,600**		—	
Bank loans	29	**—**		233,428	
Obligations under finance leases	30	**3,132**		4,232	
Financial liabilities at fair value through profit or loss	32	**—**		322,578	
Share repurchase obligations	33	**—**		511,791	
Deferred tax liabilities	31(b)	**376,041**		389,380	
Other non-current liabilities		**413**		398	
			472,186		1,461,807
NET ASSETS			**4,921,800**		4,256,354

at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012		2011	
		$'000	**$'000**	$'000	$'000
CAPITAL AND RESERVES					
Share capital	34(b)		**198,903**		188,903
Reserves	34(c)		**3,861,106**		3,624,555
Total equity attributable to equity shareholders of the Company			**4,060,009**		3,813,458
Non-controlling interests			**861,791**		442,896
TOTAL EQUITY			**4,921,800**		4,256,354

Approved and authorised for issue by the board of directors on 27 June 2012.

KAM Yuen
Director

LU Tian Long
Director

The notes on pages 54 to 156 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012		2011	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Property, plant and equipment	15(b)		**1,554**		2,857
Interests in subsidiaries	18(a)		**3,029,303**		2,474,230
Prepayments and deposits	22		**—**		300,790
			3,030,857		2,777,877
Current assets					
Trading securities	23	**—**		3	
Other receivables	25	**6,207**		2,861	
Cash and cash equivalents	27(a)	**7,813**		120,684	
		14,020		123,548	
Current liabilities					
Other payables and accrued expenses	28	**9,437**		6,697	
Bank loans	29	**233,898**		—	
Financial liabilities at fair value through profit or loss	32	**188,164**		—	
Obligations under finance leases	30	**682**		977	
		432,181		7,674	
Net current (liabilities)/assets			**(418,161)**		115,874
Total assets less current liabilities			**2,612,696**		2,893,751

at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012		2011	
		$'000	**$'000**	$'000	$'000
Non-current liabilities					
Bank loans	29	—		233,428	
Obligations under finance leases	30	—		682	
Financial liabilities at fair value through profit or loss	32	—		234,976	
			—		469,086
NET ASSETS			**2,612,696**		2,424,665
CAPITAL AND RESERVES					
Share capital	34(b)		**198,903**		188,903
Reserves	34(c)		**2,413,793**		2,235,762
TOTAL EQUITY			**2,612,696**		2,424,665

Approved and authorised for issue by the board of directors on 27 June 2012.

KAM Yuen
Director

LU Tian Long
Director

The notes on pages 54 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company												
		Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Surplus reserve $'000	Fair value reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2010		162,765	1,085,774	5,868	37,150	54,193	222,722	90,254	13,535	(71,661)	1,707,660	3,308,260	266,792	3,575,052
Changes in equity for the year ended 31 March 2011:														
Profit for the year		–	–	–	–	–	–	–	–	–	343,208	343,208	16,026	359,234
Other comprehensive income		–	–	–	–	–	116,899	–	(5,022)	–	–	111,877	16,813	128,690
Total comprehensive income for the year		–	–	–	–	–	116,899	–	(5,022)	–	343,208	455,085	32,839	487,924
Equity settled share-based payment expenses		–	–	–	820	–	–	–	–	–	–	820	–	820
Listing of Taiwan Depository Receipts	34(b)(i)	12,000	163,110	–	–	–	–	–	–	–	–	175,110	–	175,110
Acquisition of subsidiaries	34(b)(ii)	6,000	76,800	–	–	–	–	–	–	–	–	82,800	–	82,800
Exercise of share options	34(b)(iv)	1,767	26,347	–	(7,798)	–	–	–	–	–	–	20,316	–	20,316
Conversion of convertible notes	34(b)(v)	6,371	89,839	–	–	–	–	–	–	–	–	96,210	–	96,210
Disposal of partial interests in a subsidiary	35(b)	–	–	–	–	–	–	–	–	(314,696)	–	(314,696)	109,835	(204,861)
Contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	33,430	33,430
Change in carrying amount of share repurchase obligations	33	–	–	–	–	–	–	–	–	(23,583)	–	(23,583)	–	(23,583)
Transfer to surplus reserve		–	–	–	–	–	–	3,393	–	–	(3,393)	–	–	–
Share of other reserves of jointly controlled entity		–	–	–	–	–	–	–	–	16,118	–	16,118	–	16,118
Share of other reserves of associates		–	–	–	–	–	–	–	–	5,161	(8,143)	(2,982)	–	(2,982)
Balance at 31 March 2011		188,903	1,441,870	5,868	30,172	54,193	339,621	93,647	8,513	(388,661)	2,039,332	3,813,458	442,896	4,256,354

for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company												
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Surplus reserve $'000	Fair value reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2011		188,903	1,441,870	5,868	30,172	54,193	339,621	93,647	8,513	(388,661)	2,039,332	3,813,458	442,896	4,256,354
Changes in equity for the year ended 31 March 2012:														
Profit for the year		–	–	–	–	–	–	–	–	–	152,877	152,877	18,429	171,306
Other comprehensive income		–	–	–	–	–	127,308	–	25,796	–	–	153,104	25,442	178,546
Total comprehensive income for the year		–	–	–	–	–	127,308	–	25,796	–	152,877	305,981	43,871	349,852
Acquisition of subsidiaries	34(b)(ii)	2,635	31,621	–	–	–	–	–	–	–	–	34,256	25,652	59,908
Acquisition of assets and liabilities through acquisition of subsidiaries	35(a)(ii)	–	–	–	–	–	–	–	–	–	–	–	453,673	453,673
Acquisition of non-controlling interests	34(b)(iii)	13,176	158,108	–	–	–	–	–	–	(66,983)	–	104,301	(104,301)	–
Repurchase of own shares	34(b)(vi)	(5,811)	(43,037)	5,811	–	–	–	–	–	–	(5,811)	(48,848)	–	(48,848)
Change in carrying amount of share repurchase obligations	33	–	–	–	–	–	–	–	–	(42,376)	–	(42,376)	–	(42,376)
Transfer to surplus reserve		–	–	–	–	–	–	5,930	–	–	(5,930)	–	–	–
Share of other reserves of associates		–	–	–	–	–	–	–	–	(106,763)	–	(106,763)	–	(106,763)
Balance at 31 March 2012		198,903	1,588,562	11,679	30,172	54,193	466,929	99,577	34,309	(604,783)	2,180,468	4,060,009	861,791	4,921,800

The notes on pages 54 to 156 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
Operating activities			
Cash generated from operations	27(b)	**55,901**	119,771
The People's Republic of China ("PRC") income tax paid		**(35,093)**	(20,275)
Net cash generated from operating activities		**20,808**	99,496
Investing activities			
Proceeds from disposal of property, plant and equipment		**487**	—
Payment for the acquisition of property, plant and equipment		**(61,026)**	(31,176)
Proceeds from disposal of partial interest in associates	19	**116,525**	—
Cash advances to associates		**—**	(23,952)
Payment for purchase of trading securities		**—**	(100)
Proceeds from disposal of trading securities		**785**	117
Proceeds from disposal of available-for-sale securities		**10,228**	—
Payment for purchase of available-for-sale securities		**(17,557)**	(39,348)
Prepayment for acquisition of subsidiaries		**—**	(547,102)
Refund of prepayment for acquisition of subsidiaries		**31,454**	—
Net cash inflow from acquisition of subsidiaries	35(a)	**24,516**	3,087
Net cash inflow from acquisition of assets and liabilities through acquisition of subsidiaries	35(a)	**3,546**	—
Payment for acquisition of additional equity interest in an associate		**(15,464)**	(29,806)
Payment for acquisition of time deposits		**(48,852)**	—
Proceeds from disposal of time deposits		**21,983**	—
Interest received		**4,861**	4,306
Dividend received from an associate		**—**	2,757
Dividends received from investments in securities		**1,433**	1,372
Net cash generated from/(used in) investing activities		**72,919**	(659,845)

for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Financing activities			
Capital element of finance lease rentals paid		**(1,833)**	(926)
Net proceeds from issue of ordinary shares upon listing of Taiwan Depositary Receipts		**—**	175,110
Proceeds from issue of ordinary shares upon exercise of share options		**—**	20,316
Payment for repurchase of own shares		**(48,848)**	—
Proceeds from new bank loans		**71,990**	115,963
Repayment of bank loan		**(120,992)**	(114,956)
Net proceeds from issue of convertible notes		**—**	7,565
Net cash inflow from disposal of partial interests in a subsidiary		**—**	283,347
Interest element of finance lease rentals paid		**(215)**	(118)
Interest paid on loans and other borrowings		**(18,673)**	(19,328)
Net cash (used in)/generated from financing activities		**(118,571)**	466,973
Net decrease in cash and cash equivalents		**(24,844)**	(93,376)
Cash and cash equivalents at beginning of the year		**770,450**	826,157
Effect of foreign exchange rates changes		**25,011**	37,669
Cash and cash equivalents at end of the year	27(a)	**770,617**	770,450

Note: Major non-cash transactions

Please refer to notes 34(b)(ii) and (iii) for major non-cash transactions for the years ended 31 March 2012 and 2011.

The notes on pages 54 to 156 form part of these financial statements.

1 BACKGROUND

Golden Meditech Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 September 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. Listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") commenced on 28 December 2001. On 16 June 2009, the listing of the Company's shares was transferred from the GEM to the Main Board of the Stock Exchange.

On 24 January 2011, the Company completed the listing of 90,000,000 units of Taiwan Depositary Receipts ("TDRs"), representing 180,000,000 shares of the Company, comprising 120,000,000 new shares allotted and issued by the Company and 60,000,000 shares sold by the Company's then shareholders, on the Taiwan Stock Exchange Corporation ("Taiwan Stock Exchange").

The Company and its subsidiaries are collectively referred to as the "Group".

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2012 comprise the Company and its subsidiaries and the Group's interests in associates and a jointly controlled entity.

The Group and the Company has net current liabilities of $369,376,000 and $418,161,000 as at 31 March 2012, respectively, including certain convertible notes due 2014 which have put options to allow note holders to redeem the notes earlier.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

In view of this circumstance, the Directors have given careful consideration to the future liquidity and performance of the Group and the Company in assessing whether the Group and the Company will have sufficient financial resources to continue as a going concern.

The Group plans to improve its liquidity position in order to manage its working capital requirements and meets its obligations and commitments when they fall due and has negotiated and reached an agreement, subsequent to the date of the statement of financial position, with certain holders of the put options issued in association with the convertible notes and share repurchase obligations for the revision of the terms of the put options so that these holders of the put options would not exercise the options during the next twelve months subsequent to the date of the statement of financial position. The Directors are of the opinion that, based on the revised terms agreed, the Group would have sufficient working capitals for the next twelve months subsequent to the date of the statement of financial position.

Meanwhile, the Group is considering other measures, including but not limited to, the realisation of part of its non-current assets so as to meet the Group and the Company's obligations and commitments when they fall due.

On this basis, the Directors consider that it is appropriate to prepare the consolidated and Company financial statements on a going concern basis.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

The preparation of 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 the 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 43.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n), (o) and (p) depending on the nature of the liabilities.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Share repurchase obligations undertaken by the Group to non-controlling interests in respect of the repurchase of shares of a subsidiary by the Group are initially recognised at the present value of the repurchase obligations. Subsequent to initial recognition, such share repurchase obligations are stated at amortised cost with any difference between the amount initially recognised and repurchase consideration recognised directly in equity over the period of the contractual life of the obligations, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(e) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and jointly controlled entities (continued)

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(u)(v) and (vi).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Other investments in debt and equity securities* (continued)

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(u)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(u)(vi). When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) *Financial instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instrument.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

– Buildings	10 - 30 years
– Leasehold improvements	Shorter of the estimated useful lives and unexpired terms of the leases
– Machinery	5 - 10 years
– Motor vehicles	5 years
– Furniture, fixtures and equipment	5 years

No depreciation is provided for construction in progress.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. The useful life of an asset is reviewed annually.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill) (continued)

Other intangible asset that is acquired by the Group is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible asset with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

– Management service contract rights	30 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) ***Leased assets*** (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(k) ***Impairment of assets***

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(d))), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

— For unquoted equity securities and receivables carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for unquoted equity securities carried at cost are not reversed.

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Convertible notes and warrants

Convertible notes and warrants issued by the Group have been designated as at fair value through profit or loss. At initial recognition the instruments are measured at fair value. Transaction costs that relate to the issue of the instruments are recognised immediately in profit or loss. The instruments are subsequently remeasured at fair value, with any gain or loss on remeasurement to fair value recognised in profit or loss. When a holder of the instruments exercises the right to convert the instruments into ordinary shares, the fair value of the related instruments is transferred to share capital and share premium as consideration for the shares issued. When the instruments are redeemed by the Group, any difference between the amount paid and the carrying amount of the instruments is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, such interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(ii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) *Income tax* (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) *Financial guarantees issued, provisions and contingent liabilities*

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(t)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) *Financial guarantees issued, provisions and contingent liabilities* (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Service income

Revenue is recognised when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(iii) Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iv) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 April 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Translation of foreign currencies (continued)

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKAS 24 (revised 2009), Related party disclosures

— Improvements to HKFRSs (2010)

— HK(IFRIC) 19, Extinguishing financial liabilities with equity instruments

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 CHANGES IN ACCOUNTING POLICIES (continued)

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

— HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 37 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

4 TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale of medical devices and related accessories, the provision of hospital management services, the provision of hospital operation, the provision of medical insurance administration service and the research and development and the manufacture and sale of Chinese herbal medicines.

Turnover represents the sales value of goods supplied to customers, income from hospital management services, income from hospital operation and income from other services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012 **$'000**	2011 $'000
Sales of medical devices	**153,603**	148,581
Sales of medical accessories	**104,209**	96,170
Hospital management service and hospital operation income	**147,110**	80,412
Sales of Chinese herbal medicines	**27,489**	2,903
Medical insurance administration service income	**811**	—
	433,222	328,066

4 TURNOVER (continued)

The Group's customer base includes three customers with whom transactions have exceeded 10% of the Group's revenues. During the year ended 31 March 2012, revenues generated directly and indirectly from these customers amounted to approximately $276,945,000 (2011: $255,129,000). Details of concentrations of credit risk arising from these customers are set out in note 37(a).

Further details regarding the Group's principal activities are disclosed in note 14 to these financial statements.

5 OTHER REVENUE

	2012	2011
	$'000	$'000
Interest income	**4,861**	23,935
VAT refunds	**12,940**	12,347
Dividend income from listed securities	**1,433**	1,372
Sundry income	**3,141**	1,847
	22,375	39,501

Pursuant to the relevant government policies and approval documents from the local government authorities, one of the Group's PRC subsidiaries is entitled to a VAT refund which is calculated at approximately 14% (2011: 14%) of sales of software products embedded in the medical devices.

6 OTHER NET (LOSS)/INCOME

	2012	2011
	$'000	$'000
Net realised and unrealised (loss)/gain on trading securities	**(52,017)**	96,787
Net exchange (loss)/gain	**(49)**	18,433
Net loss on disposal of property, plant and equipment	**(69)**	—
Available-for-sale securities		
– on disposal	**1,114**	—
– on impairment	**—**	(3,411)
Others	**(277)**	217
	(51,298)	112,026

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2012 **$'000**	2011 $'000
(a) Finance costs		
Interest on bank loans wholly repayable within five years	**5,775**	6,220
Finance charges on obligations under finance leases	**215**	118
	5,990	6,338
(b) Staff costs		
Salaries, wages and other benefits	**90,829**	45,674
Contributions to defined contribution retirement plans	**2,795**	1,485
Equity settled share-based payment expenses	**—**	820
	93,624	47,979
(c) Other items		
Cost of inventories #	**104,186**	101,389
Impairment loss on trade receivables	**7**	738
Depreciation of property, plant and equipment #	**44,391**	26,301
Amortisation of land lease premium #	**19,575**	2,088
Amortisation of intangible asset	**30,437**	28,083
Research and development costs	**8,204**	5,632
Auditor's remuneration		
– audit services	**5,799**	5,487
– other services	**—**	101
Operating lease charges: minimum lease payments #		
– assets held for use under operating leases	**23,692**	17,068
– other assets	**178**	368

Cost of inventories includes $26,114,000 (2011: $15,393,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 **$'000**	2011 $'000
Current tax - Outside Hong Kong		
PRC income tax for the year	**58,528**	40,890
Deferred tax		
Origination and reversal of temporary differences	**(26,880)**	1,445
	31,648	42,335

(i) PRC income tax

The Group's subsidiaries in the PRC are subject to PRC income tax.

On 16 March 2007, the PRC government enacted the new Enterprise Income Tax law ("EIT law"), which unified the income tax rate to 25% for all companies incorporated in the PRC. Accordingly, except for Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing") and Shanghai East International Medical Center ("SEIMC") which are entitled to the transitional preferential rate of 24% for the calendar year ended 31 December 2011, all PRC subsidiaries of the Group are subject to income tax at 25% for the year ended 31 March 2012 (2011: 25%).

In October 2011, upon the receipt of the notification issued by the local tax bureau, Jingjing renewed its designation as a high and new technology enterprise, and therefore, qualified to the reduced income tax rate of 15% retrospectively from 1 January 2011 to 31 December 2014. Current income tax of the nine-month ended 31 December 2010 and three-month ended 31 March 2011 was accrued based on the income tax rates of 15% and 24%, respectively, as the high and new technology enterprise designation of Jingjing was expired on 31 December 2010 and there is uncertainty of renewal. The amount of income tax over-accrued and paid during the year ended 31 March 2011 was refunded by the local tax bureau during the year ended 31 March 2012.

The EIT law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(a) *Taxation in the consolidated income statement represents* (continued)*:*

(i) PRC income tax (continued)

Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5% on dividends received. On 27 October 2009, the State Administration of Taxation issued Guoshuihan [2009] No. 601 ("Circular 601") which clarified that a "beneficial owner" under a tax treaty is determined not purely by its place of legal registration but also by other factors which depend on the specific facts and circumstances and significant judgment may be involved.

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

As at 31 March 2012, deferred tax liabilities of $nil (2011: $14,182,000) have been recognised in respect of the withholding tax payable on the retained profits of the Group's PRC subsidiaries generated subsequent to 1 January 2008 which the directors expect to distribute outside the PRC in the foreseeable future.

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2012 and 2011 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

(iii) Cayman Islands tax

Under the legislation of the Cayman Islands, the Group is not subject to tax on income or capital gains.

(iv) British Virgin Islands tax

Under the legislation of the British Virgin Islands, the Group is not subject to tax on income or capital gains.

(v) Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2012 $'000	2011 $'000
Profit before taxation	**202,954**	401,569
Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**49,903**	93,033
Tax effect of non-deductible expenses	**3,517**	15,639
Tax effect of non-taxable revenue	**(25,831)**	(61,488)
Tax refund	**(3,640)**	—
Reduced tax rate approved by tax authorities	**(14,530)**	(10,248)
Unused tax losses not recognised	**22,229**	5,399
Actual tax expense	**31,648**	42,335

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 March 2012

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Share-based payments $'000	Retirement scheme contributions $'000	Total $'000
Executive directors						
Mr. KAM Yuen	—	1,950	4,000	—	12	5,962
Ms. JIN Lu	—	650	1,000	—	12	1,662
Mr. LU Tian Long	—	650	500	—	12	1,162
Ms. ZHENG Ting	—	—	—	—	—	—
Independent non-executive directors						
Prof. CAO Gang	60	—	100	—	—	160
Mr. GAO Zong Ze	60	—	200	—	—	260
Prof. GU Qiao	60	—	100	—	—	160
	180	3,250	5,900	—	36	9,366

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' REMUNERATION (continued)

For the year ended 31 March 2011

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Share-based payments $'000	Retirement scheme contributions $'000	Total $'000
Executive directors						
Mr. KAM Yuen	—	1,300	3,000	49	12	4,361
Ms. JIN Lu	—	650	1,000	49	12	1,711
Mr. LU Tian Long	—	650	500	73	12	1,235
Ms. ZHENG Ting	—	—	—	73	—	73
Independent non-executive directors						
Prof. CAO Gang	60	—	200	—	—	260
Mr. GAO Zong Ze	60	—	150	—	—	210
Prof. GU Qiao	60	—	100	—	—	160
	180	2,600	4,950	244	36	8,010

The above emoluments include the value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. Details of these benefits in kind are disclosed under the paragraph "Share option schemes" in the directors' report and notes 2(r)(ii) and 36.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2011: two) is director whose emolument is disclosed in note 9. The aggregate of the emoluments in respect of the other four (2011: three) individuals are as follows:

	2012	2011
	$'000	$'000
Salaries, allowances and other benefits	**9,495**	5,300
Discretionary bonuses	**4,438**	3,000
Share-based payments	**—**	124
Retirement benefits	**19**	12
	13,952	8,436

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emoluments bands		
$1,500,001 to $2,000,000	**2**	1
$2,000,001 to $2,500,000	**—**	1
$2,500,001 to $3,000,000	**—**	—
$3,000,001 to $3,500,000	**—**	—
$3,500,001 to $4,000,000	**—**	—
$4,000,001 to $4,500,000	**1**	1
$4,500,001 to $5,000,000	**—**	—
$5,000,001 to $5,500,000	**—**	—
$5,500,001 to $6,000,000	**1**	—
	4	3

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $18,661,000 (2011: profit of $100,861,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2012 **$'000**	2011 $'000
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	**(18,661)**	100,861
Dividends from subsidiaries attributable to the profits of the previous financial year, approved during the year	**50,000**	470,000
Company's profit for the year (note 34(a))	**31,339**	570,861

(Expressed in Hong Kong dollars unless otherwise indicated)

12 OTHER COMPREHENSIVE INCOME

Reclassification adjustments relating to components of other comprehensive income:

	2012 $'000	2011 $'000
Exchange reserve:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**118,559**	102,693
Reclassification adjustments for amounts transferred to profit or loss:		
– disposal of associates upon acquisition of a controlling interest in the associates	**—**	(11,315)
– deemed disposal of partial interest in associates	**—**	(8,484)
	118,559	82,894
Less: Income tax	**—**	—
Net movement in the exchange reserve during the year recognised in other comprehensive income	**118,559**	82,894

	2012 $'000	2011 $'000
Fair value reserve:		
Changes in fair value recognised during the year	**1,249**	(135)
Reclassification adjustments for amounts transferred to profit or loss:		
– disposal of available-for-sale securities	**(1,114)**	—
– deemed disposal of partial interest in associates	**—**	(1,346)
	135	(1,481)
Less: Income tax	**—**	—
Net movement in the fair value reserve during the year recognised in other comprehensive income	**135**	(1,481)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $152,877,000 (2011: $343,208,000) divided by the weighted average number of 1,983,771,000 (2011: 1,721,989,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012 Shares '000	2011 Shares '000
Issued ordinary shares at the beginning of the year	**1,889,028**	1,627,651
Effect of issue of shares upon listing of TDRs (note 34(b)(i))	**—**	23,014
Effect of issue of shares for acquisition of subsidiaries (note 34(b)(ii))	**17,927**	3,451
Effect of issue of shares for acquisition of non-controlling interests (note 34(b)(iii))	**92,518**	—
Effect of exercise of share options (note 34(b)(iv))	**—**	13,932
Effect of conversion of convertible notes (note 34(b)(v))	**—**	53,941
Effect of repurchase of own shares (note 34(b)(vi))	**(15,702)**	—
Weighted average number of ordinary shares at 31 March	**1,983,771**	1,721,989

	2012 $'000	2011 $'000
Profit attributable to equity shareholders	**152,877**	343,208
Basic earnings per share (HK cents)	**7.7**	19.9

13 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of $122,293,000 (2011: $278,460,000) and the weighted average number of 2,049,980,000 (2011: 1,812,590,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2012 $'000	2011 $'000
Profit attributable to equity shareholders	**152,877**	343,208
Dilutive impact on profit from exercise of conversion options from the holders of convertible notes and warrants issued by the Company	**(15,154)**	(63,572)
Dilutive impact on profit of dilutive potential shares of associates	**(15,430)**	(1,176)
Profit attributable to equity shareholders (diluted)	**122,293**	278,460

(ii) Weighted average number of ordinary shares (diluted)

	2012 Shares '000	2011 Shares '000
Weighted average number of ordinary shares	**1,983,771**	1,721,989
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**—**	11,501
Effect of option held by convertible note holders which requires the Company to issue additional convertible notes	**—**	220
Effect of conversion of convertible notes and exercise of warrants	**66,209**	78,880
Weighted average number of ordinary shares (diluted) at 31 March	**2,049,980**	1,812,590
Diluted earnings per share (HK cents)	**6.0**	15.4

13 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

(ii) Weighted average number of ordinary shares (diluted) (continued)

The calculation of diluted earnings per share amount for the year ended 31 March 2012 has not included the potential effect of deemed issuance of shares under the Company's share option scheme during the year as it has an anti-dilutive effect on the basic earnings per share amount for that year.

14 SEGMENT REPORTING

The Group manages its business by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Medical devices segment: the development, manufacture and sale of medical devices including medical devices and medical accessories.

(ii) Hospital management segment: the provision of management services to hospitals and operating of hospitals in the PRC.

(iii) Chinese herbal medicine segment: the research and development and the manufacture and sale of Chinese herbal medicines.

(iv) Medical insurance administration segment: the provision of medical insurance administration services in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associates, interest in jointly controlled entity, non-current prepayments, investments in financial assets, deferred tax assets and inter-company receivables. Segment liabilities include trade payables, accruals, bank loan and other payables attributable to the operating activities of the individual segments with the exception of, bank loan borrowed by the Company, deferred tax liabilities and inter-company payables.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit from operations.

14 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2012 and 2011 is set out below:

	Medical devices		Hospital management		Chinese herbal medicine		Medical insurance administration		Total	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Revenue from external customers	**257,812**	244,751	**147,110**	80,412	**27,489**	2,903	**811**	—	**433,222**	328,066
Segment profit/(loss)	**149,648**	133,718	**58,120**	23,599	**(31,131)**	(1,753)	**(34,356)**	(14,730)	**142,281**	140,834
Depreciation and amortisation for the year	**12,644**	13,468	**45,089**	32,756	**24,274**	2,616	**7,939**	412	**89,946**	49,252
Impairment loss on trade and other receivables	**7**	738	**—**	—	**—**	—	**—**	—	**7**	738
Segment assets	**906,392**	868,377	**3,328,820**	1,374,347	**765,398**	765,595	**116,014**	76,215	**5,116,624**	3,084,534
Additions to non-current segment assets during the year	**485**	980	**1,797,717**	3,959	**952**	734,631	**12,453**	69,331	**1,811,607**	808,901
Segment liabilities	**206,269**	250,235	**605,176**	291,064	**11,020**	16,478	**72**	3,299	**822,537**	561,076

The Group's turnover and operating profit derived from activities outside the PRC are immaterial. Therefore, no geographical information is provided.

14 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

Revenue

The total amount of reportable segment revenues is equal to the consolidated turnover for the years ended 31 March 2012 and 2011.

Profit

	2012 **$'000**	2011 $'000
Reportable segment profit	**142,281**	140,834
Finance costs	**(5,990)**	(6,338)
Changes in fair value of financial liabilities at fair value through profit or loss	**(32,506)**	36,009
Share of profits of associates	**169,576**	93,458
Share of (loss)/profits of jointly controlled entity	**(134)**	14,230
Gain on deemed disposal of partial interest in associates	**—**	46,669
Gain/(loss) on disposal of interest in associates	**41,436**	(2,628)
Net realised and unrealised (loss)/gain on trading securities	**(52,017)**	96,787
Unallocated head office and corporate expenses	**(59,692)**	(17,452)
Consolidated profit before taxation	**202,954**	401,569

14 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2012 $'000	2011 $'000
Assets		
Reportable segment assets	**5,116,624**	3,084,534
Interest in associates	**1,486,742**	1,426,441
Interest in jointly controlled entity	**62,981**	61,096
Non-current prepayments and deposits	**—**	963,768
Available-for-sale securities	**154,987**	146,409
Trading securities	**117,341**	170,143
Deferred tax assets	**8,377**	8,929
Unallocated head office and corporate assets	**32,323**	179,372
Consolidated total assets	**6,979,375**	6,040,692
Liabilities		
Reportable segment liabilities	**822,537**	561,076
Deferred tax liabilities	**376,041**	389,380
Financial liabilities at fair value through profit or loss	**56,177**	59,734
Share repurchase obligations	**554,167**	511,791
Bank loan borrowed by the Company	**233,898**	233,428
Unallocated head office and corporate liabilities	**14,755**	28,929
Consolidated total liabilities	**2,057,575**	1,784,338

15 FIXED ASSETS

(a) The Group

	Buildings held for own use $'000	Leasehold improvements $'000	Machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Construction in progress $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total fixed assets $'000
Cost:									
At 1 April 2011	231,719	28,169	126,355	22,255	32,145	49,459	490,102	709,454	1,199,556
Exchange adjustments	9,460	4,148	3,698	457	1,380	2,296	21,439	27,842	49,281
Additions	—	5,162	3,253	1,238	13,296	34,342	57,291	4,591	61,882
Acquisition of subsidiaries (note 35(a))	1,835	18,846	2,893	531	22,865	630,566	677,536	1,034,336	1,711,872
Transfers	21,072	2,171	—	—	14,547	(37,790)	—	—	—
Disposals	—	(2,982)	(26)	—	(560)	—	(3,568)	—	(3,568)
At 31 March 2012	264,086	55,514	136,173	24,481	83,673	678,873	1,242,800	1,776,223	3,019,023
Accumulated amortisation and depreciation:									
At 1 April 2011	75,990	25,778	49,890	11,508	22,771	—	185,937	4,578	190,515
Exchange adjustments	3,435	1,200	2,021	437	778	—	7,871	458	8,329
Acquisition of subsidiaries (note 35(a))	—	14,660	1,255	525	21,505	—	37,945	5,648	43,593
Charge for the year	16,821	6,717	12,979	3,746	4,128	—	44,391	19,575	63,966
Written back on disposals	—	(2,981)	(26)	—	(5)	—	(3,012)	—	(3,012)
At 31 March 2012	96,246	45,374	66,119	16,216	49,177	—	273,132	30,259	303,391
Net book value:									
At 31 March 2012	167,840	10,140	70,054	8,265	34,496	678,873	969,668	1,745,964	2,715,632

15 FIXED ASSETS (continued)

(a) The Group (continued)

	Buildings held for own use $'000	Leasehold improvements $'000	Machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Construction in progress $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total fixed assets $'000
Cost:									
At 1 April 2010	157,433	17,108	64,481	13,471	9,095	5,040	266,628	4,973	271,601
Exchange adjustments	7,235	651	2,984	354	366	271	11,861	235	12,096
Additions	—	—	38,105	5,285	5,349	20,231	68,970	—	68,970
Acquisition of subsidiaries (note 35(a))	67,051	10,410	20,806	3,300	16,258	25,699	143,524	704,246	847,770
Transfers	—	—	—	705	1,077	(1,782)	—	—	—
Disposals	—	—	(21)	(860)	—	—	(881)	—	(881)
At 31 March 2011	231,719	28,169	126,355	22,255	32,145	49,459	490,102	709,454	1,199,556
Accumulated amortisation and depreciation:									
At 1 April 2010	49,246	13,198	19,950	6,995	5,804	—	95,193	773	95,966
Exchange adjustments	2,484	530	1,088	257	277	—	4,636	40	4,676
Acquisition of subsidiaries (note 35(a))	14,794	9,755	18,458	2,748	14,933	—	60,688	1,677	62,365
Charge for the year	9,466	2,295	10,415	2,368	1,757	—	26,301	2,088	28,389
Written back on disposals	—	—	(21)	(860)	—	—	(881)	—	(881)
At 31 March 2011	75,990	25,778	49,890	11,508	22,771	—	185,937	4,578	190,515
Net book value:									
At 31 March 2011	155,729	2,391	76,465	10,747	9,374	49,459	304,165	704,876	1,009,041

(Expressed in Hong Kong dollars unless otherwise indicated)

15 FIXED ASSETS (continued)

(b) The Company

	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Total $'000
Cost:				
At 1 April 2011	3,093	5,680	1,384	10,157
Additions	—	—	87	87
At 31 March 2012	3,093	5,680	1,471	10,244
Accumulated depreciation:				
At 1 April 2011	3,093	3,219	988	7,300
Charge for the year	—	1,136	254	1,390
At 31 March 2012	3,093	4,355	1,242	8,690
Net book value:				
At 31 March 2012	—	1,325	229	1,554

15 FIXED ASSETS (continued)

(b) The Company (continued)

	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Total $'000
Cost:				
At 1 April 2010	3,093	5,680	1,213	9,986
Additions	—	—	171	171
At 31 March 2011	3,093	5,680	1,384	10,157
Accumulated depreciation:				
At 1 April 2010	3,093	2,083	738	5,914
Charge for the year	—	1,136	250	1,386
At 31 March 2011	3,093	3,219	988	7,300
Net book value:				
At 31 March 2011	—	2,461	396	2,857

15 FIXED ASSETS (continued)

(c) At 31 March 2012, the Group had pledged interests in leasehold land and buildings with an aggregate carrying value of $109,056,000 (2011: $108,145,000), as collateral against certain loans granted to the Group by a bank (see note 29).

(d) The analysis of net book value of properties is as follows:

	The Group	
	2012	2011
	$'000	$'000
Outside Hong Kong		
– under medium-term lease	**1,913,804**	860,605
Represented by:		
Buildings held for own use	**167,840**	155,729
Interests in leasehold land held for own use under operating leases	**1,745,964**	704,876
	1,913,804	860,605

(e) Fixed asset held under finance leases

The Group leases three motor vehicles under finance leases expiring in 0.5 year, 3.5 years and 4.5 years respectively. The lease which is expiring in 0.5 year was entered into by the Company. At the end of the lease term the Group and the Company have the option to purchase the leased motor vehicles at a price deemed to be a bargain purchase option. The leases do not include contingent rentals.

At the end of the reporting period, the net book value of motor vehicles held under finance leases of the Group was $5,908,000 (2011: $7,563,000) and of the Company was $1,325,000 (2011: $2,461,000).

16 INTANGIBLE ASSET

	The Group	
	2012	2011
	$'000	$'000
Cost:		
At beginning of the year	**880,921**	842,703
Exchange adjustments	**34,450**	38,218
At end of the year	**915,371**	880,921
Accumulated amortisation:		
At beginning of the year	**51,387**	21,607
Exchange adjustments	**2,085**	1,697
Charge for the year	**30,437**	28,083
At end of the year	**83,909**	51,387
Carrying amount:		
At end of the year	**831,462**	829,534

The intangible asset of the Group represents the management service contract rights. The amortisation charges for the years ended 31 March 2012 and 2011 are included in cost of sales in the consolidated income statement.

17 GOODWILL

	The Group	
	2012	2011
	$'000	$'000
Cost:		
At beginning of the year	**447,026**	427,625
Exchange adjustments	**17,462**	19,401
Acquisition of subsidiaries (note 35(a)(i))	**38,693**	—
At end of the year	**503,181**	447,026

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") as follows:

	2012	2011
	$'000	$'000
Medical devices	**506**	506
Hospital management	**463,982**	446,520
Hospital operation	**38,693**	—
	503,181	447,026

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 GOODWILL (continued)

Impairment tests for cash-generating units containing goodwill (continued)

Key assumptions used for value-in-use calculations:

	2012 %	2011 %
Gross margin		
– Medical devices	**62.0**	56.7
– Hospital management	**73.0**	76.0
– Hospital operation	**56.0**	—
Growth rate		
– Medical devices	**10.0**	10.0
– Hospital management	**8.7**	8.7
– Hospital operation	**4.1**	—
Discount rate		
– Medical devices	**16.9**	17.3
– Hospital management	**14.0**	14.0
– Hospital operation	**14.0**	—

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The recoverable amounts of the CGUs are higher than their carrying amounts based on value-in-use calculations. Accordingly, no impairment of goodwill is recognised in the consolidated income statement.

18 INTERESTS IN SUBSIDIARIES

(a) *Investments in subsidiaries*

	The Company	
	2012	2011
	$'000	$'000
Unlisted shares, at cost	**451,532**	280,248
Amounts due from subsidiaries, net	**2,577,771**	2,193,982
	3,029,303	2,474,230

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but settlement is not expected within one year of the end of the reporting period. They are neither past due nor impaired.

(b) *Amounts due to subsidiaries*

Amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of settlement but settlement is not expected within one year of the end of the reporting period.

(c) *Particulars of principal subsidiaries*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of establishment	Proportion of ownership interest: Group's effective holding	held by the Company	held by subsidiaries	Issued/ registered capital	Principal activities
Jingjing (i)	The PRC	76.1%	—	100%	US$ 10,100,000	Manufacture and sale of medical devices
China Bright Group Co. Limited	Hong Kong	76.1%	76.1%	—	$1,494,232	Investment holding
China Healthcare Inc. ("CHI")	Cayman Islands	100%	—	100%	US$1,000	Investment holding
Golden Meditech Herbal Treatment (BVI) Company Limited	British Virgin Islands	100%	100%	—	US$1	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INTERESTS IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

Name of company	Place of establishment	Proportion of ownership interest: Group's effective holding	held by the Company	held by subsidiaries	Issued/ registered capital	Principal activities
GM Hospital Group Limited ("GMHG")	British Virgin Islands	75%	75%	—	US$100	Investment holding
GM Hospital Management Co., Ltd	Hong Kong	75%	—	100%	$1,000	Investment holding
GM Hospital Management (China) Company Limited ("GMHM (China)") (i)	The PRC	75%	—	100%	RMB 380,000,000	Provision of hospital management services
GM Investment Company Limited	Hong Kong	100%	100%	—	$1	Investment holding
Shanghai Baisuihang Pharmaceutical Co., Ltd. ("SHBSH") (i)	The PRC	100%	—	100%	RMB 150,000,000	Research and development, manufacture and sale of Chinese herbal medicines
Shanghai Dao Pei Pharmaceutical Co., Ltd. (iii)	The PRC	75%	—	100%	RMB 9,000,000	Investment holding
SEIMC (ii)	The PRC	42%	—	56%	US$ 5,250,000/ 9,800,000	Hospital operation

18 INTERESTS IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

Name of company	Place of establishment	Proportion of ownership interest: Group's effective holding	held by the Company	held by subsidiaries	Issued/ registered capital	Principal activities
U.S. Healthcare Management Enterprise, Inc.("USHME")	U.S.A	75%	—	100%	US$ 6,341,000	Investment holding
Beijing Guohua Jiedi Hospital Management Company Limited ("Guo Hua Jie Di") (iii)	The PRC	52.5%	—	70%	RMB 56,000,000	Investment holding
Beijing Qinghe Hospital Co., Ltd. ("Qinghe") (iii)	The PRC	43.4%	—	82.7%	RMB 150,000,000	Hospital operation

(i) These subsidiaries are wholly-owned foreign enterprises.

(ii) SEIMC is a sino-foreign co-operative joint venture. This entity is accounted for as one of the Group's subsidiaries as it is controlled by the Group.

(iii) These subsidiaries are PRC domestic enterprises.

19 INTEREST IN ASSOCIATES

(a) Investments in associates

	The Group 2012 $'000	2011 $'000
Share of net assets	**1,231,645**	1,158,058
Goodwill	**255,097**	268,383
	1,486,742	1,426,441

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTEREST IN ASSOCIATES (continued)

(b) Particulars of principal associates

The following list contains only the particulars of associates which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of establishment	Proportion of ownership interest held by the Group	Issued/ registered capital	Principal activities
China Cord Blood Corporation ("CCBC") *	Incorporated	Cayman Islands	41.4%	US$7,314	Provision of blood stem cell storage facilities and ancillary services
Fortress Group Limited ("Fortress")**	Incorporated	Cayman Islands	29.4%	US$10	Distribution and retail sales of personal electronic goods
China National Medical Equipment Co., Ltd ("CMIC") ***	Incorporated	The PRC	17.5%	RMB 131,970,000	Sale and distribution of medical equipment

* CCBC's shares are listed on the New York Stock Exchange. The repurchase of shares by CCBC resulted in the increase in the Group's interest in CCBC during the year ended 31 March 2012.

During the year ended 31 March 2012, the Group further acquired 673,334 shares of CCBC at a consideration of $15,464,000.

The offering of new shares by CCBC resulted in the dilution of the Group's interest in CCBC during the years ended 31 March 2011, and a gain on deemed disposal of partial interest in associates of $31,956,000.

The market value of the Group's effective interest in CCBC as at 31 March 2012 amounted to US$85,907,000 (equivalent to $670,075,000) (2011: US$96,121,000 (equivalent to $749,743,000)).

19 INTEREST IN ASSOCIATES (continued)

(b) Particulars of principal associates (continued)

** During the year ended 31 March 2012, Fortress was established to effect a privatisation of Funtalk China Holdings Limited ("FTLK") which was previously listed on the NASDAQ.

The privitisation of FTLK was completed on 28 August 2011 and as a result Fortress became the holding company that owns 100% of equity interest in FTLK. The Group's interest in FTLK was swapped to Fortress and was increased by 7.4% to 32.4%.

After the privatisation of FTLK, the Group disposed 303 shares of Fortress, representing 3% equity interest, with a consideration of US$15,000,000 (equivalent to $116,525,000) and resulted in a gain on disposal of partial interest of associates of $41,436,000.

On 7 July 2010, a jointly controlled entity of the Group, Capital Ally Investments Limited distributed its then entire equity interest in FTLK to the Group and the other joint venture partner in equal proportions. As a result of the distribution, FTLK has become an associate of the Group and the Group has reclassified the carrying amount of interest in jointly controlled entity in relation to its effective interest in FTLK as of the date of the distribution as interest in associates.

Subsequent to the distribution and up to 31 March 2011, FTLK has undertaken certain equity transactions which resulted in dilution of the Group's interest in FTLK and a gain on deemed disposal of partial interest in associates of $8,861,000. The market value of the Group's effective interest in FTLK as at 31 March 2011 amounted to US$97,837,000 (equivalent to $763,127,000).

*** During the year ended 31 March 2011, Union China National Medical Equipment Co., Ltd ("UCMC") has undertook a capital restructuring which resulted in deemed disposal of the Group's partial interest in UCMC, held via a non-wholly owned subsidiary, from 37.8% to 23.0% and a gain on deemed disposal of partial interest in associates of $5,852,000. In connection with the capital restructuring, the non-wholly owned subsidiary of the Group also received a 23.0% equity interest in CMIC and UCMC became a wholly owned subsidiary of CMIC. As of 31 March 2012 and 2011, the Group held the interests in CMIC and UCMC through a 76.1% owned subsidiary and was entitled to an effective interest of 17.5% in these entities.

Summary of financial information on associates:

	Assets	Liabilities	Equity	Revenue	Profit
	$'000	$'000	$'000	$'000	$'000
2012					
100 per cent	**10,833,760**	**(7,190,410)**	**3,643,350**	**14,151,814**	**547,491**
Group's effective interest	**3,347,590**	**(2,115,945)**	**1,231,645**	**3,903,017**	**169,576**
2011					
100 per cent	7,962,196	(4,063,823)	3,898,373	8,081,296	313,659
Group's effective interest	2,243,592	(1,085,534)	1,158,058	2,265,333	93,458

20 INTEREST IN JOINTLY CONTROLLED ENTITY

	The Group	
	2012	2011
	$'000	$'000
Share of net assets	**62,981**	61,096

The following list contains the particulars of a jointly controlled entity which principally affected the results or assets of the Group:

Name of jointly controlled entity	Form of business structure	Place of establishment	Proportion of ownership interest held by the Group	Issued/ registered capital	Principal activities
Capital Ally Investments Limited	Incorporated	British Virgin Islands	50.0%	US$10,000	Investment holding

Summary financial information on a jointly controlled entity - the Group's effective interest:

	2012	2011
	$'000	$'000
Non-current assets	**20,514**	18,495
Current assets	**67,232**	65,221
Current liabilities	**(24,765)**	(22,620)
Net assets	**62,981**	61,096
Income	**—**	1,006,042
Expenses	**(134)**	(991,812)
(Loss) /profit for the year	**(134)**	14,230

21 AVAILABLE-FOR-SALE SECURITIES

	The Group	
	2012	2011
	$'000	$'000
Available-for-sale equity securities		
– Listed outside Hong Kong	**—**	8,979
– Unlisted	**153,037**	137,430
Available-for-sale debt securities		
– Unlisted	**1,950**	—
	154,987	146,409

During the year ended 31 March 2012, no impairment losses on available-for-sale equity and debt securities have been recognised in the consolidated income statement.

At 31 March 2011, management considered that objective evidence of impairment existed for certain of the Group's available-for-sale equity securities as a result of significant and prolonged declines in their market values below cost. Impairment losses on these investments of $3,411,000 have been recognised in the consolidated income statement in accordance with the policy set out in note 2(k)(i) (see note 6).

22 NON-CURRENT PREPAYMENTS AND DEPOSITS

Non-current prepayments and deposits of the Group and the Company as at 31 March 2011 included earnest money of $961,368,000 and $298,390,000, respectively, for potential acquisitions. The balances were settled with the completion of the acquisitions.

23 TRADING SECURITIES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Listed equity securities at fair value				
– equity securities listed in Hong Kong	**117,341**	169,550	**—**	—
– equity securities listed outside Hong Kong	**—**	593	**—**	3
	117,341	170,143	**—**	3

24 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2012	2011
	$'000	$'000
Raw materials	**2,947**	1,932
Work in progress	**4,899**	2,408
Finished goods	**15,848**	13,225
	23,694	17,565

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2012	2011
	$'000	$'000
Carrying amount of inventories sold	**104,186**	101,389

25 TRADE AND OTHER RECEIVABLES

	The Group	
	2012	2011
	$'000	$'000
Trade receivables	**230,651**	171,839
Less: Allowance for doubtful debts (note 25(b))	**(7,619)**	(7,325)
	223,032	164,514
Prepayment and deposits	**3,395**	4,586
Other receivables	**28,588**	21,049
	255,015	190,149

	The Company	
	2012	2011
	$'000	$'000
Other receivables	**6,207**	2,861

All trade and other receivables are expected to be recovered within one year.

25 TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis

Details of the ageing analysis of trade receivables (net of allowance for doubtful debts) that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2012	2011
	$'000	$'000
Neither past due nor impaired	**121,309**	91,373
Past due but not impaired		
Within six months	**50,126**	9,516
Between seven and twelve months	**39,344**	37,462
Over one year	**12,253**	26,163
	101,723	73,141
	223,032	164,514

The Group's credit policy is set out in note 37(a).

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

25 TRADE AND OTHER RECEIVABLES (continued)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(k)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2012	2011
	$'000	$'000
At beginning of the year	**7,325**	6,283
Impairment loss recognised	**7**	738
Exchange adjustments	**287**	304
At end of the year	**7,619**	7,325

At 31 March 2012, the trade receivables of the Group totalling $7,619,000 (2011: $7,325,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and/or have defaulted on payments and management assessed that only a portion of the receivables is expected to be recovered. Consequently, a specific allowance for doubtful debts of $7,619,000 (2011: $7,325,000) was recognised. The Group does not hold any collateral over these balances.

26 TIME DEPOSITS

Bank deposits as at 31 March 2012 of $49,346,000 (2011: nil) has an original maturity of six months.

27 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**770,617**	770,591	**7,813**	120,684
Cash and cash equivalents in the statement of financial position	**770,617**	770,591	**7,813**	120,684
Bank overdrafts (note 29)	**—**	(141)		
Cash and cash equivalents in the consolidated cash flow statement	**770,617**	770,450		

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2012 $'000**	2011 $'000
Profit before taxation		**202,954**	401,569
Adjustments for:			
– Depreciation of property, plant and equipment	15(a)	**44,391**	26,301
– Amortisation of land lease premium	15(a)	**19,575**	2,088
– Amortisation of intangible asset	16	**30,437**	28,083
– Interest income	5	**(4,861)**	(23,935)
– Dividend income from listed securities	5	**(1,433)**	(1,372)
– Gain on disposal of available-for-sale securities	6	**(1,114)**	—
– Impairment loss on available-for-sale securities carried at cost less impairment	6	**—**	3,411
– Net realised and unrealised loss/(gain) on trading securities	6	**52,017**	(96,787)
– Net loss on disposal of property, plant and equipment	6	**69**	—
– Finance costs	7(a)	**5,990**	6,338
– Changes in fair value of financial liabilities at fair value through profit or loss	32	**32,506**	(36,009)
– Share of profits of associates	19	**(169,576)**	(93,458)
– Share of losses/(profits) of jointly controlled entity	20	**134**	(14,230)
– Gain on deemed disposal of partial interest in associates	19	**—**	(46,669)
– (Gain)/loss on disposal of interest in associates	19 & 35(a)(iii)	**(41,436)**	2,628
– Equity-settled share-based payment expenses	7(b)	**—**	820
– Effect of foreign exchange rates		**(1,579)**	(21,696)
Operating profit before changes in working capital		**168,074**	137,082

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of profit before taxation to cash generated from operations: (continued)

	2012 $'000	2011 $'000
Decrease in non-current prepayments	**—**	800
(Increase)/decrease in inventories	**(4,441)**	1,951
Increase in trade and other receivables	**(10,110)**	(39,271)
Decrease in amount due from jointly controlled entity	**—**	2,895
(Decrease)/increase in trade and other payables	**(97,622)**	16,397
Decrease in other non-current liabilities	**—**	(83)
Cash generated from operations	**55,901**	119,771

28 TRADE AND OTHER PAYABLES

	The Group	
	2012 $'000	2011 $'000
Non-current:		
Construction costs payables	**92,600**	—
Current:		
Trade payables	**114,282**	118,584
Construction costs payables	**125,483**	1,473
Other payables and accrued expenses	**81,017**	47,382
	320,782	167,439
	413,382	167,439

	The Company	
	2012 $'000	2011 $'000
Other payables and accrued expenses	**9,437**	6,697

All current trade and other payables are expected to be settled within one year.

28 TRADE AND OTHER PAYABLES (continued)

The Group is normally granted credit periods of one to three months by its suppliers. Details of the ageing analysis of trade payables are as follows:

	The Group	
	2012	2011
	$'000	$'000
Due within three months or on demand	**114,282**	118,584

29 BANK LOANS AND OVERDRAFTS

At 31 March, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Within one year or on demand	**307,300**	118,863	**233,898**	—
After one year but within two years	**—**	233,428	**—**	233,428
	307,300	352,291	**233,898**	233,428

At 31 March, the bank loans were secured as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Unsecured bank overdrafts (note 27)	**—**	141	**—**	—
Bank loans				
– Secured	**73,402**	118,722	**—**	—
– Unsecured	**233,898**	233,428	**233,898**	233,428
	307,300	352,291	**233,898**	233,428

The bank loan of $73,402,000 (2011: $118,722,000) is secured by interests in leasehold land and buildings as detailed in note 15(c).

29 BANK LOANS AND OVERDRAFTS (continued)

Included in bank loans of the Group and the Company is a loan of $233,898,000 (2011: $233,428,000) which is unsecured, has a five-year term and carries interest based on changes in an interest rate index. The loan contains an embedded interest rate collar such that interest on the loan lies within the range of 0% to 13% per annum. The embedded derivatives are considered closely related to the host debt contract. The loan is therefore measured at amortised cost.

Unsecured bank loan facilities of the Group and the Company of $233,898,000 (2011: $233,428,000) are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 March 2012 and 2011, none of the covenants relating to drawn down facilities had been breached. Further details of the Group's management of liquidity risk are set out in note 37(b).

30 OBLIGATIONS UNDER FINANCE LEASES

At the end of the reporting period, the Group had obligations under finance leases repayable as follows:

	The Group			
	2012		2011	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within one year	**1,767**	**1,927**	1,809	2,019
After one year but within two years	**1,128**	**1,232**	1,623	1,759
After two years but within five years	**2,004**	**2,075**	2,609	2,748
	3,132	**3,307**	4,232	4,507
	4,899	**5,234**	6,041	6,526
Less: Total future interest expenses		**(335)**		(485)
Present value of lease obligations		**4,899**		6,041

(Expressed in Hong Kong dollars unless otherwise indicated)

30 OBLIGATIONS UNDER FINANCE LEASES (continued)

	The Company			
	2012		2011	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within one year	**682**	**695**	977	1,044
After one year but within two years	**—**	**—**	682	695
	682	**695**	1,659	1,739
Less: Total future interest expenses		**(13)**		(80)
Present value of lease obligations		**682**		1,659

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2012 $'000	2011 $'000
PRC income tax payable	**59,656**	34,420

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax liabilities/(assets) recognised:

(i) The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group					
	Depreciation/ amortisation allowance in excess of the related depreciation/ amortisation $'000	Intangible assets $'000	Allowance for doubtful debts $'000	Withholding tax on dividends $'000	Others $'000	Total $'000
Deferred tax arising from:						
At 1 April 2010	(2,190)	205,274	(1,217)	—	—	201,867
Acquisition of subsidiaries (note 35(a))	168,297	—	—	—	—	168,297
(Credited)/charged to the income statement (note 8)	(2,566)	(7,020)	(545)	14,182	(2,606)	1,445
Exchange adjustments	(152)	9,130	(69)	—	(67)	8,842
At 31 March 2011	163,389	207,384	(1,831)	14,182	(2,673)	380,451
At 1 April 2011	**163,389**	**207,384**	**(1,831)**	**14,182**	**(2,673)**	**380,451**
(Credited)/charged to the income statement (note 8)	**(7,367)**	**(7,495)**	**(2)**	**(14,182)**	**2,166**	**(26,880)**
Exchange adjustments	**6,250**	**7,977**	**(72)**	**—**	**(62)**	**14,093**
At 31 March 2012	**162,272**	**207,866**	**(1,905)**	**—**	**(569)**	**367,664**

(Expressed in Hong Kong dollars unless otherwise indicated)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax liabilities/(assets) recognised: (continued)

(ii) Reconciliation to the statement of financial position

	The Group	
	2012	2011
	$'000	$'000
Net deferred tax assets recognised in the statement of financial position	**(8,377)**	(8,929)
Net deferred tax liabilities recognised in the statement of financial position	**376,041**	389,380
	367,664	380,451

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $212,865,000 (2011: $41,605,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Cumulative tax losses of $145,048,000 (2011: $18,097,000) do not expire under the current tax legislation while cumulative tax losses amounting to $67,817,000 (2011: $23,508,000) will expire in five years under the current tax legislation.

(d) Deferred tax liabilities not recognised:

At 31 March 2012, temporary differences relating to the undistributed profits of subsidiaries amounted to $491,965,000 (2011: $272,057,000). Deferred tax liabilities of $49,197,000 (2011: $27,206,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) The components of financial liabilities at fair value through profit or loss recognised in the consolidated statement of financial position are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Convertible notes				
– issued by the Company	**56,177**	59,734	**56,177**	59,734
– issued by a subsidiary	**285,540**	248,767	**—**	—
	341,717	308,501	**56,177**	59,734
Written put and compensation options to non-controlling interests of a subsidiary issued by the Company (note 35(b))	**—**	—	**131,987**	161,165
Warrants				
– issued by the Company	**—**	14,077	**—**	14,077
	341,717	322,578	**188,164**	234,976

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(ii) The movements of financial liabilities at fair value through profit or loss during the year are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
At beginning of the year	**322,578**	457,573	**234,976**	224,748
Conversion of convertible notes	**—**	(96,210)	**—**	(96,210)
Interest paid on convertible notes	**(13,367)**	(10,341)	**(2,480)**	(2,151)
Changes in fair value of financial liabilities at fair value through profit or loss	**32,506**	(36,009)	**(44,332)**	(65,976)
Net proceeds on issuance of convertible notes	**—**	7,565	**—**	7,565
Written put and compensation options to non-controlling interests of a subsidiary issued by the Company	**—**	—	**—**	167,000
At end of the year	**341,717**	322,578	**188,164**	234,976

As at 31 March 2012, the excess of the fair value of convertible notes and warrants upon initial recognition determined using unobservable inputs over the transaction price of $59,400,000 (2011: $64,750,000) has been deferred and has not yet been recognised.

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Convertible notes and warrants issued by the Company

On 20 July and 9 September 2009, the Company issued convertible notes with a face value of US$10,000,000, equivalent to approximately $78,000,000 (the "July issue") and US$15,200,000, equivalent to approximately $118,560,000 (the "September issue") with maturity dates of 20 July 2014 and 9 September 2014, respectively. The notes bear interest at 3% per annum and are unsecured.

The terms and conditions of the convertible notes are the same except that the noteholders of the July issue have an option to require the Company to issue additional convertible notes up to a further aggregate principal amount of US$1,000,000, equivalent to $7,800,000 at an issue price of 100% of the aggregate principal amount of the relevant convertible notes, exercisable during the period up to 365 days after 20 July 2009 ("Subscription Option"). The Subscription Option was exercised in full during the year ended 31 March 2011. The rights of the noteholders to convert the notes into ordinary shares of the Company are as follows:

— Conversion rights are exercisable at any time up to maturity at the noteholders' option.

— If a noteholder exercises his conversion rights, the Company is required to deliver its ordinary shares initially at US$0.1601 per share, subject to adjustments under certain terms and conditions of the convertible notes. The terms and conditions of adjustments to the conversion price were subsequently amended on 20 January 2012, as agreed between the Company and the noteholders.

Unless previously redeemed or converted, the convertible notes of the July issue and the September issue will be redeemed at face value on 20 July 2014 and 9 September 2014 respectively. Pursuant to the terms of convertible notes, the noteholders shall have the right to require the Company to redeem the convertible notes on 20 January 2013. Accordingly, the carrying amount of the convertible notes issued by the Company is classified as current liability as of 31 March 2012.

Upon the closing of the issuance of the convertible notes, the Company has issued, by way of bonus, warrants to the noteholders to subscribe for 19,080,000 and 29,002,000 ordinary shares of $0.1 each of the Company, at an exercise price of US$0.1747 per share, respectively. The warrants are exercisable at any time up to 20 July 2014 and 9 September 2014 respectively at the noteholders' option.

Upon the exercise of the Subscription Option on 14 June 2010, the Company issued additional convertible notes with an aggregate principal amount of US$1,000,000, equivalent to $7,800,000 and has also issued by way of bonus, warrants to the notes holders to subscribe for 1,908,000 ordinary shares of the Company, on the same terms as aforementioned.

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Convertible notes and warrants issued by the Company (continued)

Further details of the convertible notes and warrants and amendments to the terms and conditions of convertible notes are set out in the Company's announcements dated 30 April 2009, 24 August 2009 and 3 February 2012.

(b) Convertible notes issued by a subsidiary

On 30 October 2009, GMHG issued convertible notes with a face value of US$28,000,000 (equivalent to approximately $218,400,000) and a maturity date of 30 October 2014. The notes bear interest at 5% per annum and are secured by the guarantee from the Company.

The rights of the noteholders to convert the notes into ordinary shares of GMHG are as follows:

— Conversion rights are exercisable at any time up to maturity at the noteholders' option.

— If a noteholder exercises his conversion rights, GMHG is required to deliver GMHG's ordinary shares initially at US$1,778.10 per share, subject to adjustments under certain terms and conditions of the convertible notes.

On 28 June 2011, GMHG and the noteholders agreed to revise certain terms and conditions to the convertible notes. The initial conversion price was adjusted from US$1,778.10 per share to US$1,673.00 per share.

Unless previously redeemed or converted, the convertible notes will be redeemed at face value on 30 October 2014. Pursuant to the terms of convertible notes, the noteholders at any time starting from the first day of the 37th month after the Completion Date on 30 October 2009, shall have the right to require GMHG to redeem the convertible notes. Accordingly, the carrying amounts of the convertible notes issued by GMHG is classified as current liability as of 31 March 2012.

Further details of the convertible notes, and the amendments of terms and conditions to the convertible notes are set out in the Company's announcement dated 30 September 2009 and 28 June 2011, respectively.

33 SHARE REPURCHASE OBLIGATIONS

Share repurchase obligations represent the put option written to non-controlling interests for the repurchase of shares of a subsidiary (see note 35(b)) and are stated at amortised cost. During the year ended 31 March 2012, the changes in amortised cost of share repurchase obligation of $42,376,000 (2011: $23,583,000) has been recognised directly in equity.

34 CAPITAL AND RESERVES

(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share Capital $'000	Share premium $'000	capital redemption reserve $'000	Capital reserve $'000	Retained profits $'000	Total $'000
Balance at 31 March and 1 April 2010		162,765	1,085,774	5,868	37,150	186,991	1,478,548
Changes in equity for the year ended 31 March 2011:							
Profit and total comprehensive income for the year		—	—	—	—	570,861	570,861
Listing of TDRs	34(b)(i)	12,000	163,110	—	—	—	175,110
Acquisition of subsidiaries	34(b)(ii)	6,000	76,800	—	—	—	82,800
Exercise of share options	34(b)(iv)	1,767	26,347	—	(7,798)	—	20,316
Conversion of convertible notes	34(b)(v)	6,371	89,839	—	—	—	96,210
Equity settled shared-based payment expenses		—	—	—	820	—	820
Balance at 31 March and 1 April 2011		**188,903**	**1,441,870**	**5,868**	**30,172**	**757,852**	**2,424,665**
Changes in equity for the year ended 31 March 2012:							
Profit and total comprehensive income for the year		**—**	**—**	**—**	**—**	**31,339**	**31,339**
Acquisition of subsidiaries	34(b)(ii)	**2,635**	**31,621**	**—**	**—**	**—**	**34,256**
Acquisition of non-controlling interests	34(b)(iii)	**13,176**	**158,108**	**—**	**—**	**—**	**171,284**
Repurchase of own shares	34(b)(vi)	**(5,811)**	**(43,037)**	**5,811**	**—**	**(5,811)**	**(48,848)**
Balance at 31 March 2012		**198,903**	**1,588,562**	**11,679**	**30,172**	**783,380**	**2,612,696**

(Expressed in Hong Kong dollars unless otherwise indicated)

34 CAPITAL AND RESERVES (continued)

(b) Share capital

	Note	2012 No. of shares ('000)	2012 Amount $'000	2011 No. of shares ('000)	2011 Amount $'000
Authorised:					
Ordinary shares of $0.1 each		**4,000,000**	**400,000**	4,000,000	400,000
Issued and fully paid:					
At the beginning of the year		**1,889,028**	**188,903**	1,627,651	162,765
Listing of TDRs	(i)	**—**	**—**	120,000	12,000
Acquisition of subsidiaries	(ii)	**26,351**	**2,635**	60,000	6,000
Acquisition of non-controlling interests	(iii)	**131,757**	**13,176**	—	—
Exercise of share options	(iv)	**—**	**—**	17,667	1,767
Conversion of convertible notes	(v)	**—**	**—**	63,710	6,371
Repurchase of own shares	(vi)	**(58,104)**	**(5,811)**	—	—
At the end of the year		**1,989,032**	**198,903**	1,889,028	188,903

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

34 CAPITAL AND RESERVES (continued)

(b) Share capital (continued)

Notes:

(i) Issue of shares upon listing of TDRs

During the year ended 31 March 2011, in connection with the listing of TDRs as described in note 1, the Company issued 120,000,000 new ordinary shares of $0.1 each. Total proceeds of $175,110,000, net of share issuance expenses, were raised of which $12,000,000 was credited to share capital and the balance of $163,110,000 was credited to the share premium account.

(ii) Issue of shares for acquisition of subsidiaries

On 28 June 2011, the Company and GMHG, a subsidiary of the Group entered into sale and purchase agreement to acquire all equity interests in USHME and its subsidiaries ("the USHME Group") (see note 35(a)(i)) during the year ended 31 March 2012. As part of the consideration for the acquisition, the Company issued 26,351,000 ordinary shares to the vendors and the consideration was measured at the market value of the shares of $34,256,000 as of the date of transfer. Accordingly, $2,635,000 was credited to share capital and $31,621,000 was credited to the share premium account.

On 9 March 2011, the Company entered into sale and purchase agreements to acquire the remaining equity interests of associates (see note 35(a)(iii)). As consideration for the acquisition, the Company issued 60,000,000 ordinary shares to the vendors and the consideration was measured at the market value of the shares of $82,800,000 as of the date of transfer. Accordingly, $6,000,000 was credited to share capital and $76,800,000 was credited to the share premium account.

(iii) Issue of shares for acquisition of non-controlling interests

On 28 June 2011, the Company entered into agreement to acquire an additional 15% equity interest in GMHG from a non-controlling shareholder of GMHG. As the consideration of the acquisition, the Company issued 131,757,000 ordinary shares of the Company to the non-controlling shareholder and the consideration was measured at the market value of the shares of $171,284,000 as of the date of transfer. Accordingly, $13,176,000 was credited to share capital and $158,108,000 was credited to share premium account.

(iv) Issue of shares upon exercise of share options

During the year ended 31 March 2011, a total of 17,667,000 share options were exercised at an aggregate price paid of $20,316,000. Following the exercise of share options, the share capital and share premium accounts of the Company have been increased by $1,767,000 and $26,347,000, respectively. Included in the amounts is $7,798,000 which has been transferred from the capital reserve to the share premium account.

(v) Issue of shares upon conversion of convertible notes

During the year ended 31 March 2011, 63,710,000 ordinary shares of $0.1 each were issued upon the conversion of convertible notes. Following the conversion, the share capital and share premium accounts of the Company have been increased by $6,371,000 and $89,839,000, respectively.

34 CAPITAL AND RESERVES (continued)

(b) Share capital (continued)

Notes: (continued)

(vi) Repurchase of own shares

During the year ended 31 March 2012, a total of a 58,104,000 shares were repurchased at an aggregate price paid of $48,848,000 which includes related expenses of $229,000.

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of $5,811,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $43,037,000 was charged to the share premium account.

(c) Reserves

Nature and purpose of reserves:

(i) Share premium

Under the Companies Law (2004 Revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(iii) Capital reserve

The capital reserve comprises the fair value of the actual or estimated number of outstanding share options granted to employees of the Group and the Company recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(ii).

(iv) Merger reserve

The merger reserve represents the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of shares issued by the Company in exchange thereof.

34 CAPITAL AND RESERVES (continued)

(c) *Reserves* (continued)

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

(vi) Surplus reserve

According to the relevant rules and regulations in the PRC, certain subsidiaries are required to appropriate 10% of after-tax profit (after offsetting prior year losses), based on the PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to a surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. Thereafter, any further appropriations can be made at the directors' discretion. The surplus reserve can be utilised to offset prior year losses, or be utilised for issuance of bonus shares on condition that the surplus reserve shall be maintained at a minimum of 25% of the registered capital after such issuance.

(vii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policy set out in note 2(f).

(viii) Other reserves

The following are charged/credited to other reserves:

(i) the excess of purchase consideration on acquisition of non-controlling interests over the carrying value of share of net assets acquired;

(ii) gain on dilution of interest in subsidiaries where the Group's interest in a subsidiary is decreased without losing control; and

(iii) changes in amortised costs of share repurchase obligations.

(d) *Distributability of reserves*

At 31 March 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $2,371,942,000 (2011: $2,199,722,000). After the end of the reporting period the directors proposed a final dividend of $0.01 per ordinary share, amounting to $19,890,000. This dividend has not been recognised as a liability at the end of the reporting period.

34 CAPITAL AND RESERVES (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a debt-to-capital ratio. For this purpose the Group defines debt as total interest-bearing loans and borrowings, obligations under finance leases and financial liabilities at fair value through profit or loss. Capital comprises all components of equity.

During the year ended 31 March 2012, the Group's strategy, which was unchanged from 2011, was to maintain a stable debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The debt-to-capital ratios at 31 March 2012 and 2011 were as follows:

		The Group		The Company	
	Note	**2012**	2011	**2012**	2011
		$'000	$'000	**$'000**	$'000
Bank loans and overdrafts	29	**307,300**	352,291	**233,898**	233,428
Obligations under finance leases	30	**4,899**	6,041	**682**	1,659
Financial liabilities at fair value through profit or loss	32	**341,717**	322,578	**188,164**	234,976
Total debt		**653,916**	680,910	**422,744**	470,063
Total equity		**4,921,800**	4,256,354	**2,612,696**	2,424,665
Debt-to-capital ratio		**13.29%**	16.00%	**16.18%**	19.39%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements except for those as described in note 29.

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) *Acquisition of subsidiaries*

(i) *USHME and its subsidiaries*

On 27 July 2011, GMHG, a subsidiary of the Group completed the acquisition of the 100% equity interests in USHME. USHME holds a 56% equity interest in SEIMC. Total consideration for the acquisition was $73,256,000, satisfied by issuance of 26,351,000 ordinary shares by the Company and by cash of US$5,000,000 (equivalent to $39,000,000).

The principal activity of SEIMC is the operation of a hospital in Shanghai, the PRC, and such operation has been included in the operating segment of hospital management. The contribution to the Group's revenue and profit for the year is disclosed in note 14.

Details of net assets acquired are as follows:

	Carrying amount $'000	**Fair value** $'000
Net assets acquired:		
Fixed assets (note 15)	5,548	5,548
Inventories	1,000	1,000
Other receivables, deposits and prepayments	7,770	7,770
Cash and cash equivalents	41,949	41,949
Time deposits	21,765	21,765
Other payables and accruals	(17,817)	(17,817)
Net assets acquired		60,215
Non-controlling interests		(25,652)
Goodwill arising from acquisition (note 17)		38,693
Total purchase price paid, satisfied in cash and shares		73,256

	$'000
Analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	
Total purchase price	73,256
Amount paid in prior years	(21,567)
Fair value of the ordinary shares issued	(34,256)
Cash and cash equivalents acquired	(41,949)
	(24,516)

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries (continued)

(ii) Guo Hua Jie Di and its subsidiaries

On 26 December 2011, GMHM (China), a subsidiary of the Group completed the acquisition of the 70% equity interests in Guo Hua Jie Di. Guo Hua Jie Di holds a 82.73% equity interests in Qinghe. The total consideration of $600,000,000 was satisfied in cash.

On the date of acquisition, Guo Hua Jie Di and Qinghe have not yet commenced commercial operation and lacked several factors required to generate a revenue stream and strategic management processes for hospital operation in PRC. As a result, the management considers that Guo Hua Jie Di and Qinghe did not constitute businesses on the acquisition date and the acquisition is treated as an acquisition of assets and liabilities. The principal assets of Guo Hua Jie Di and Qinghe are interests in leasehold land and construction in progress of hospital buildings in Beijing, the PRC.

The following table summarises the cost of the assets acquired and liabilities assumed at the date of acquisition.

	Cost
	$'000
Fixed assets (note 15)	1,662,731
Other receivables, deposits and prepayments	37,150
Cash and cash equivalents	3,546
Total assets acquired	1,703,427
Other payables and accruals	(649,754)
Non-controlling interests	(453,673)
Net assets acquired	600,000
Total purchase consideration satisfied by cash paid in prior year	600,000

	$'000
Analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	
Total purchase price	600,000
Amount paid in prior years	(600,000)
Cash and cash equivalents acquired	3,546
	3,546

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries (continued)

(iii) CHI and its subsidiaries

On 9 March 2011, the Group completed the acquisition of the remaining equity interests in CHI and its subsidiaries ("the CHI Group"), which was originally a 40% owned associate of the Group. Total consideration for the acquisition was $82,800,000, satisfied by issuance of 60,000,000 ordinary shares by the Company. Upon the completion of the transaction, CHI has become a wholly-owned subsidiary of the Group.

The principal activities of the acquired group are the research and development, manufacture and sale of Chinese herbal medicines and such operation has been identified as an operating segment. The contribution to the Group's revenue and profit for the year is disclosed in note 14.

Upon the completion of the acquisition, the Group's interests in associates was treated as disposed of and reacquired at fair value on the date of obtaining control. As a result, a loss on disposal of $2,628,000 has been recognised in profit or loss for the year ended 31 March 2011.

Details of net assets acquired are as follows:

	Carrying amount $'000	Fair value $'000
Net assets acquired:		
Fixed assets (note 15)	91,680	785,405
Trade receivables	15,984	15,984
Inventories	4,991	4,991
Other receivables, deposits and prepayments	2,638	2,638
Cash and cash equivalents	3,087	3,087
Trade payables	(850)	(850)
Other payables and accruals	(20,679)	(20,679)
Deferred tax liabilities (note 31(b))	—	(168,297)
Net assets acquired		622,279
Fair value of interests in associates on the date of obtaining control		(539,479)
Total purchase price paid, satisfied in shares		82,800

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(a) *Acquisition of subsidiaries* (continued)

(iii) *CHI and its subsidiaries* (continued)

Included in the fixed assets are interests in leasehold land and buildings situated in Shanghai, the PRC, which were revalued as at 9 March 2011, the date of completion of the acquisition, on a market value basis by a firm of independent surveyors who have among their staff professionals with recent experience in the locations and the categories of the assets being valued.

	$'000
Analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	
Total purchase price	(82,800)
Fair value of the ordinary shares issued	82,800
Cash and cash equivalents acquired	3,087
	3,087

(b) *Disposal of partial interests in a subsidiary*

On 27 August 2010, the Group sold a 23.9% equity interest in a then wholly-owned subsidiary, China Bright Group Co. Limited ("China Bright") to certain investors, at a consideration of $7.94 per share. In connection with the sale of shares, the Company wrote a put option ("Put option") and a compensation option ("Compensation option") to the investors. The Put option gives the investors the right to require the Company to re-acquire the sold shares of China Bright at $15.88 per share if a separate listing of the shares of China Bright on the Main Board of the Stock Exchange, NASDAQ or the New York Stock Exchange with a market capitalisation of no less than US$280,000,000 (equivalent to $2,184,000,000) is not completed within two years from 27 August 2010. The Compensation option gives the investors the right to require the Company to pay a compensation to the investors determined by any shortfall between a guaranteed market capitalisation of US$280,000,000 (equivalent to $2,184,000,000) and the actual market capitalisation of China Bright after the initial public offering of its shares should such an offering take place within two years from 27 August 2010. The investors can either exercise the Put option or the Compensation option but not both. As the terms of the Put option are more favourable to investors than those of the Compensation option, the value of the Compensation option is estimated to be nil. The Put option is recognised as an obligation of the Group to repurchase own equity, and is presented as share repurchase obligations in the consolidated statement of financial position (see note 33).

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in a subsidiary (continued)

The excess of the sum of (i) the carrying amount of the Put option recognised as part of the transaction and (ii) the share of net assets of China Bright disposed of, over the consideration for the disposal of the partial interests in China Bright of $314,696,000 has been debited to other reserves within equity. No gain or loss on partial disposal is recognised in profit or loss since the Company retained control over China Bright after the transaction.

In the Company's statement of financial position, the Put option and the Compensation option, which represent obligations in respect of a subsidiary's shares, have been recognised as financial liabilities at fair value through profit or loss (see note 32), and were initially recognised at fair value of $167,000,000. The decrease in fair value of the financial liabilities for the year ended 31 March 2012 of $29,178,000 (2011: $5,835,000) has been credited to the Company's profit or loss.

36 SHARE OPTIONS

(a) The principal terms of the share option schemes of the Company are summarised as follows:

(1) The Company adopted a share option scheme on 30 July 2002 (the "2002 Scheme"). The Company by shareholders' resolutions passed at the extraordinary general meeting held on 30 March 2005 has adopted a new share option scheme (the "Current Scheme" and, together with the 2002 Scheme, the "Schemes") and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. The Current Scheme was terminated upon the transfer of the listing of the shares of the Company from the GEM to the Main Board of the Stock Exchange on 16 June 2009. No further options may be offered under the Current Scheme. However, in respect of all options which remained exercisable on the said dates of termination, they shall continue to be exercisable subject to the provisions of the 2002 Scheme or the Current Scheme as applicable.

(2) The purpose of the 2002 Scheme was to recognise the contribution of full-time employees of the Company or any subsidiary and executive and independent non-executive directors of the Company or any subsidiary (the "2002 Participants") by granting share options to them as incentives or rewards.

The purpose of the Current Scheme is to recognise the contribution of the executives, employees, directors (including non-executive directors and independent non-executive directors), consultants, advisers and agents of the Company and its affiliates (the "Current Participants" and, together with the 2002 Participants, the "Participants") by granting share options to them as incentives or rewards.

36 SHARE OPTIONS (continued)

(a) The principal terms of the share option schemes of the Company are summarised as follows: (continued)

(3) The total number of shares which may be issued upon exercise of all share options to be granted under the Schemes each time shall not in aggregate exceed 10% of the total number of shares in issue of the Company as at 30 March 2005, the date on which the Current Scheme was adopted. As at the date of this annual report, no further options may be offered under the Schemes. The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Schemes must not exceed 30% of the shares in issue from time to time.

(4) Pursuant to each of the 2002 Scheme and the Current Scheme, the total number of shares issued and to be issued upon the exercise of all share options granted and to be granted to each Participant (including both exercised and outstanding share options) in any 12-month period up to and including the offer date shall not exceed 1% of the shares in issue as at the offer date.

(5) Pursuant to the 2002 Scheme, a share option may be exercised at any time during a period notified by the Board to the grantee provided that such period shall not commence earlier than 27 December 2002 and shall not be longer than 10 years from the date of offer.

Pursuant to the Current Scheme, a share option may be exercised at any time during a period notified by the Board to the grantee, such period shall not be longer than 10 years from the date of offer.

(6) Pursuant to each of the 2002 Scheme and the Current Scheme, a share option may be granted by the Board upon any terms and conditions as it may think fit subject to the rules of the Schemes and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

36 SHARE OPTIONS (continued)

(a) The principal terms of the share option schemes of the Company are summarised as follows: (continued)

(7) Pursuant to each of the 2002 Scheme and the Current Scheme, acceptance of an offer must be made by the grantee by the date specified in the offer as the last date for acceptance, together with a remittance in favour of the Company of $1 by way of consideration for the grant.

(8) Pursuant to the 2002 Scheme and the Current Scheme, the exercise price shall be determined by the Board, but shall not be less than the higher of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date on which an offer is made to a Participant, which must be a business day;

(b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an offer is made; and

(c) the nominal value of the shares.

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE OPTIONS (continued)

(b) The terms and conditions of the grants that existed during the year are as follows, whereby all share options are settled by physical delivery of shares:

	Exercise price $	Number of share options	Vesting conditions	Contractual life of share options
Share options granted to directors:				
– on 4 March 2005 ("Option 1")	1.60	2,400,000	– immediately 3 months after the date of grant	Expire at the close of business on 28 February 2015
– on 30 March 2005 ("Option 2")	1.76	63,206,245	– up to 20% immediately after 6 months from the date of grant – up to 60% immediately after 18 months from the date of grant – up to 100% immediately after 30 months from the date of grant	Expire at the close of business on 3 March 2015
on 27 April 2009 ("Option 3")	1.15	18,800,000	– up to 30% immediately after the date of grant – up to 60% immediately after 6 months from the date of grant – up to 100% immediately after 12 months from the date of grant	Expire at the close of business on 26 April 2019

(Expressed in Hong Kong dollars unless otherwise indicated)

36 SHARE OPTIONS (continued)

(b) The terms and conditions of the grants that existed during the year are as follows, whereby all share options are settled by physical delivery of shares: (continued)

	Exercise price $	Number of share options	Vesting conditions	Contractual life of share options
Share options granted to employees:				
on 4 March 2005 ("Option 1")	1.60	11,870,000	– immediately 3 months after the date of grant	Expire at the close of business on 28 February 2015
on 27 April 2009 ("Option 3")	1.15	26,533,000	– up to 30% immediately after the date of grant – up to 60% immediately after 6 months from the date of grant – up to 100% immediately after 12 months from the date of grant	Expire at the close of business on 26 April 2019
		122,809,245		

Each share option entitles the holder to subscribe for one ordinary share in the Company.

There are 122,809,245 options outstanding and exercisable at 31 March 2012 (2011: 122,809,245). The options outstanding at 31 March 2012 had an exercise price of $1.15 to $1.76 (2011: $1.15 to $1.76) and a weighted average remaining contractual life of 4.46 years (2011: 5.46 years).

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and the impact of equity prices on the fair value of convertible notes and warrant liabilities.

The Group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank, time deposits, trade and other current and non-current receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. The status of the receivables is closely monitored to minimise any credit risk associated with these receivables. Trade receivables of the medical devices segment are due within 60 to 180 days from the date of billing. For receivables of the other operating segments, trade receivables are due on goods delivered or services performed, a regular review is carried out and follow up actions are taken on overdue amounts to minimise the Group's exposure to credit risk. Normally, the Group does not hold any collateral over trade receivables. Cash at bank and time deposits are placed with licensed financial institutions with high credit ratings. The Group monitors the exposure to each financial institution.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which customers operate also has an influence on credit risk.

At the end of the reporting period, the Group has a certain concentration of credit risk as 41% (2011: 27%) and 97% (2011: 90%) of the trade receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. Except for the financial guarantees disclosed in note 39, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 39.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 25.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2012 Contractual undiscounted cash flow					2011 Contractual undiscounted cash flow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000
Trade and other payables	**320,782**	**92,600**	**—**	**413,382**	**413,382**	167,439	—	—	167,439	167,439
Bank loans and overdrafts	**311,841**	**—**	**—**	**311,841**	**307,300**	122,732	233,428	—	356,160	352,291
Convertible notes	**350,154**	**—**	**—**	**350,154**	**341,717**	13,400	321,901	—	335,301	308,501
Obligations under finance leases	**1,927**	**1,232**	**2,075**	**5,234**	**4,889**	2,019	1,759	2,748	6,526	6,041
Share repurchase obligations	**566,699**	**—**	**—**	**566,699**	**554,167**	—	566,699	—	566,699	511,791
Other non-current liabilities	**—**	**413**	**—**	**413**	**413**	—	398	—	398	398
	1,551,403	**94,245**	**2,075**	**1,647,723**	**1,621,868**	305,590	1,124,185	2,748	1,432,523	1,346,461

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) *Liquidity risk* (continued)

The Company

	2012 Contractual undiscounted cash flow					2011 Contractual undiscounted cash flow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000
Other payables and accruals	9,437	–	–	9,437	9,437	6,697	–	–	6,697	6,697
Bank loans	233,898	–	–	233,898	233,898	–	233,428	–	233,428	233,428
Convertible notes	58,657	–	–	58,657	56,177	2,480	64,694	–	67,174	59,734
Obligations under a finance lease	695	–	–	695	682	1,044	695	–	1,739	1,659
Written put and compensation options	566,699	–	–	566,699	131,987	–	566,699	–	566,699	161,165
	869,386	–	–	869,386	432,181	10,221	865,516	–	875,737	462,683
Financial guarantees issued:										
Maximum amount guaranteed (note 39)	218,400	–	–	218,400	–	–	218,400	–	218,400	–

Amounts due to subsidiaries have no fixed terms of settlement but are not expected to be settled within one year.

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from deposits with banks, bank loans and obligations under finance leases. Instruments bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group is also exposed to fair value interest rate risk arising from the impact of interest rate changes on its convertible notes and warrants. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market conditions. The Group's interest rate profile as monitored by management is set out in (i) below.

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group and the Company at the end of the reporting period:

	The Group				The Company			
	2012		2011		**2012**		2011	
	Effective interest rate		Effective interest rate		**Effective interest rate**		Effective interest rate	
	%	**$'000**	%	$'000	**%**	**$'000**	%	$'000
Fixed rate assets/ (liabilities):								
Share repurchase obligations	**8.28**	**(554,167)**	8.28	(511,791)	**—**	**—**	—	—
Obligations under finance leases	**4.05**	**(4,899)**	4.06	(6,041)	**5.43**	**(682)**	5.43	(1,659)
		(559,066)		(517,832)		**(682)**		(1,659)
Variable rate assets/(liabilities):								
Time deposits	**3.30**	**49,346**	—	—	**—**	**—**	—	—
Cash and cash equivalents	**0.49**	**770,617**	0.34	770,591	**0.10**	**7,813**	0.06	120,684
Bank loans and overdrafts	**2.47**	**(307,300)**	2.01	(352,291)	**0.20**	**(233,898)**	0.20	(233,428)
		512,663		418,300		**(226,085)**		(112,744)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points in interest rates at 31 March 2012, with all other variables held constant, would have increased/decreased the Group's profit after taxation by approximately $13,411,000/$10,361,000, retained profits by approximately $9,698,000/$7,539,000 and non-controlling interests by approximately $3,713,000/$2,822,000 respectively (2011: increased/decreased profit after taxation by approximately $8,258,000/ $8,483,000, retained profits by approximately $6,842,000/$6,984,000 and non-controlling interests by approximately $1,416,000/$1,499,000 respectively).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2011.

(d) Currency risk

There is currently no hedging policy adopted by the Group with respect to its foreign exchange exposure. The Group's transactions are in Chinese Renminbi, Hong Kong Dollars ("HKD") and the United States Dollars ("USD"). With the natural hedging of the revenue and costs denominated in Chinese Renminbi, the Group's foreign exchange exposure is considered to be insignificant.

The Group is exposed to currency risk through certain investments, receivables, bank deposits and bank loans which are denominated in USD, Australian Dollars, British Pounds Sterling, Chinese Renminbi, Singaporean Dollars and New Taiwan Dollars. As HKD is pegged to USD, the Company does not expect any significant movements in the USD/HKD exchange rate.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate:

The Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)											
	2012						2011					
	United States Dollars $'000	Hong Kong Dollars $'000	Chinese Renminbi $'000	British Pounds Sterling $'000	Euro $'000	Singaporean Dollars $'000	United States Dollars $'000	Hong Kong Dollars $'000	Chinese Renminbi $'000	Australian Dollars $'000	Singaporean Dollars $'000	New Taiwan Dollars $'000
Available-for-sale securities	154,987	–	–	–	–	–	138,395	–	–	–	–	8,014
Trading securities	–	–	–	–	–	–	593	–	–	–	–	–
Other receivables, deposits and prepayment	–	–	–	–	–	1,083	139	–	97	–	1,080	–
Cash and cash equivalents	7,032	1,083	1,301	28	96	–	5,299	590	437	5	8	39
Convertible notes and warrants	(341,717)	–	–	–	–	–	(322,578)	–	–	–	–	–
Bank loans and overdrafts	(233,898)	–	–	–	–	–	(233,569)	–	–	–	–	–
Overall net exposure	(413,596)	1,083	1,301	28	96	1,083	(411,721)	590	534	5	1,088	8,053

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2012		2011	
	United States Dollars $'000	**Chinese Renminbi $'000**	United States Dollars $'000	Chinese Renminbi $'000
Trading securities	**—**	**—**	3	—
Cash and cash equivalents	**293**	**1,301**	1,270	437
Other receivables, deposits and prepayment				
Convertible notes and warrants	**(188,164)**	**—**	(73,811)	—
Bank loans	**(233,898)**	**—**	(233,428)	—
Overall net exposure	**(421,769)**	**1,301**	(305,966)	437

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies.

	2012			2011		
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and retained profits $'000**	**Effect on other components of equity $'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits $'000	Effect on other components of equity $'000
Chinese Renminbi	**5%**	**65**	**—**	5%	27	—
	(5)%	**(65)**	**—**	(5)%	(27)	—
Singaporean Dollars	**5%**	**54**	**—**	5%	54	—
	(5)%	**(54)**	**—**	(5)%	(54)	—
New Taiwan Dollars	**5%**	**—**	**—**	5%	2	401
	(5)%	**—**	**—**	(5)%	(2)	(401)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2011.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from trading securities (see note 23) and available-for-sale securities (see note 21). Other than unquoted securities held for strategic purposes, all of these investments are listed.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The Group is also exposed to equity price risk arising from the impact of changes in equity prices of the Company and a subsidiary on the Group's convertible notes and warrants.

It is estimated that an increase/decrease of 10% in the fair value of the Group's investments in listed equity securities at 31 March 2012, with all other variables held constant, would have increased/decreased the Group's profit after taxation and retained profits by approximately $11,734,000 (2011: $17,014,000), and the Group's other components of consolidated equity by approximately $195,000 (2011: $898,000).

It is estimated that an increase/decrease of 10% in the equity prices of the Company and a subsidiary at 31 March 2012, with all other variables held constant, would have resulted in remeasurements of the Group's convertible notes and warrants and decreased/increased the Group's profit after taxation by approximately $2,678,000/$2,508,000, (2011: $12,752,000/$7,972,000), retained profits by approximately $1,977,000/$1,862,000 (2011: $9,457,000/$5,456,000) and non-controlling interests by approximately $701,000/$646,000 (2011: $3,295,000/$2,515,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation and retained profits and other components of consolidated equity that would arise assuming that the changes in the fair value of equity securities had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the fair value of the equity securities, and that all other variables remain constant. The analysis has been performed on the same basis for 2011.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2012

	The Group			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale securities	—	—	**1,950**	**1,950**
Trading securities	**117,341**	—	—	**117,341**
	117,341	—	**1,950**	**119,291**
Liabilities				
Convertible notes	—	—	**341,717**	**341,717**

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values (continued)

(i) *Financial instruments carried at fair value* (continued)

2011

	The Group			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale securities	8,979	—	—	8,979
Trading securities	170,143	—	—	170,143
	179,122	—	—	179,122
Liabilities				
Convertible notes	—	—	308,501	308,501
Warrants	—	—	14,077	14,077
	—	—	322,578	322,578

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

2012

	The Company			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Liabilities				
Convertible notes	—	—	**56,177**	**56,177**
Written put and compensation options	—	—	**131,987**	**131,987**
	—	—	**188,164**	**188,164**

2011

	The Company			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Trading securities	3	—	—	3
Liabilities				
Convertible notes	—	—	59,734	59,734
Warrants	—	—	14,077	14,077
Written put and compensation options	—	—	161,165	161,165
	—	—	234,976	234,976

During the years there was no transfer between instruments in Level 1 and Level 2.

Movement in the balance of level 3 fair value measurements is discussed in note 32 (ii).

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2012 and 2011 except as follows:

(1) Amounts due from/to subsidiaries and associates of the Group and/or the Company are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

(2) Unlisted equity securities of $153,037,000 (2011: $137,430,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are held for strategic purposes and recognised at cost less impairment losses at the end of the reporting period.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments:

(i) Securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction of transaction costs.

(ii) Interest-bearing loans and borrowings, finance lease liabilities and available-for-sale debt securities.

The fair value is estimated as the present value of future cash flows, discounted at the current market interest rates for similar financial instruments.

(iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Estimation of fair values (continued)

(iv) Financial liabilities at fair value through profit or loss

The estimate of the fair value of the convertible notes and warrants is measured using a binomial lattice model with the following assumptions:

	2012	
	Issued by the Company	**Issued by a subsidiary**
Share price	**$0.99**	**US$1,783**
Expected volatility	**43.10%**	**34.04%**
Expected dividends	**0%**	**0%**
Risk-free interest rate	**0.35%**	**1.30%**

	2011	
	Issued by the Company	Issued by a Subsidiary
Share price	$1.34	US$1,553
Expected volatility	58.15%	39.58%
Expected dividends	0%	0%
Risk-free interest rate	1.13%	1.34%

The estimate of the fair value of the written put and compensation option is measured using a binomial lattice model with the following assumptions:

	2012	2011
	Issued by the Company	Issued by the Company
Share price	**$12.53**	$12.65
Expected volatility	**46.43%**	47.95%
Expected dividends	**0%**	0%
Risk-free interest rate	**2.84%**	3.18%

(Expressed in Hong Kong dollars unless otherwise indicated)

38 COMMITMENTS

(a) Capital commitments for the acquisition of plant and equipment outstanding at 31 March 2012 not provided for in the financial statements were as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Contracted for	**158,017**	5,547	**—**	—

(b) As at 31 March 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Within 1 year	**15,048**	17,967	**5,667**	6,139
After 1 year but within 5 years	**19,273**	32,729	**—**	5,627
	34,321	50,696	**5,667**	11,766

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the leases upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

Lease terms of properties of the Group situated on land held under operating leases are disclosed in note 15(d).

(c) Other commitments

At 31 March 2012, the Group is committed to contribute a further US$9,022,000 (2011: US$11,982,000), equivalent to $70,372,000 (2011: $93,460,000), as further investments in an unlisted private equity fund classified as available-for-sale equity securities.

39 CONTINGENT LIABILITIES

As at 31 March 2012 and 2011, the Company has guaranteed the obligations of a subsidiary under certain convertible notes with a principal amount of $218,400,000 (2011: $218,400,000) issued by the subsidiary (see note 32(b)).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and their transaction price was $nil.

40 RETIREMENT SCHEMES

Hong Kong

Since December 2001, the Company operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000 (effective from 1 June 2012, such monthly income cap has been revised to $25,000). Contributions to the scheme vest immediately.

The PRC, other than Hong Kong

Pursuant to the relevant PRC regulations, the Company's PRC subsidiaries are required to make contributions at approximately 20% of the employees' salaries and wages to defined contribution retirement schemes organised by the local Social Security Bureau in respect of the retirement benefits for the Group's employees in the PRC.

Save as disclosed above, the Group has no other significant obligation to make payments in respect of retirement benefits of the employees.

41 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

During the years ended 31 March 2012 and 2011, the Group has entered into the following related party transactions:

(i) The Group had made a loan to an associate carried at amortised cost of $246,646,000 as at 31 March 2010. Such loan has been derecognised upon the acquisition of the remaining equity interests in the associate on 9 March 2011. Interest income of $19,629,000 has been recognised during the year ended 31 March 2011.

(ii) The Group leased certain properties from an associate (which was subsequently acquired as a subsidiary on 9 March 2011) under operating leases. The amount of operating lease rental incurred for the year ended 31 March 2011 was $6,890,000.

Amounts due from/to the above related parties are disclosed in the consolidated statement of financial position and notes to the financial statements.

(b) Key management personnel remuneration

Key management personnel remuneration represents amounts paid to the Company's directors as disclosed in note 9 and the highest paid employees as disclosed in note 10.

42 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 34(d).

43 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 17, 36 and 37(g) contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expense for future periods is adjusted if there are material changes from previous estimates.

(b) Impairment of assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amount, which would affect profit or loss in future years.

Goodwill is tested for impairment at least annually even if there is no indication of impairment.

(c) Recognition of deferred tax assets

The Group has recognised deferred tax assets which arose from deductible temporary differences as set out in note 31(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

(d) Valuation of interests in leasehold land and buildings

As described in note 35(a), the interests in leasehold land and buildings acquired from a business combination was initially recognised at fair value as determined by an independent professional valuer on a market value basis as at the completion date of the acquisition. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuation might affect the Group's results in future years.

(Expressed in Hong Kong dollars unless otherwise indicated)

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 March 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures - Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes - Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, Presentation of financial statements - *Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

A summary of the published financial information of the Group is set out below:

RESULTS

	Year ended 31 March 2008 HK$'000	Year ended 31 March 2009 HK$'000	Year ended 31 March 2010 HK$'000	Year ended 31 March 2011 HK$'000	**Year ended 31 March 2012 HK$'000**
Turnover	421,147	276,535	285,467	328,066	**433,222**
Profit from operations	535,311	154,344	135,988	220,169	**30,572**
Finance costs	(20,628)	(13,091)	(7,999)	(6,338)	**(5,990)**
Gain on deemed disposal of interests in associates and jointly controlled entity	55,416	—	47,542	46,669	**—**
(Loss)/gain on disposal of interests in associates	—	—	—	(2,628)	**41,436**
Changes in fair value of financial liabilities at fair value through profit or loss	—	—	(102,357)	36,009	**(32,506)**
Share of profits less losses of associates and jointly controlled entity	68,657	(84,621)	85,181	107,688	**169,442**
Profit before taxation	638,756	56,632	158,355	401,569	**202,954**
Income tax	(24,244)	(21,118)	(23,960)	(42,335)	**(31,648)**
Profit for the year from continuing operations	614,512	35,514	134,395	359,234	**171,306**
Profit/(loss) for the year from discontinued operation	99,141	44,822	(10,405)	—	**—**
Profit for the year	713,653	80,336	123,990	359,234	**171,306**
Attributable to:					
Equity shareholders of the Company	683,744	57,089	116,412	343,208	**152,877**
Non-controlling interests	29,909	23,247	7,578	16,026	**18,429**
Profit for the year	713,653	80,336	123,990	359,234	**171,306**

ASSETS AND LIABILITIES

	As at 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Fixed assets	351,573	414,769	175,635	1,009,041	**2,715,632**
Intangible assets	85,488	84,079	821,096	829,534	**831,462**
Goodwill	67,169	67,169	427,625	447,026	**503,181**
Interest in associates	713,743	518,715	1,026,286	1,426,441	**1,486,742**
Interest in jointly controlled entity	657,764	712,639	722,418	61,096	**62,981**
Available-for-sale securities	410,192	143,260	110,633	146,409	**154,987**
Other non-current assets	481,819	944,346	396,180	963,768	**—**
Deferred tax assets	5,482	6,794	3,407	8,929	**8,377**
	2,773,230	2,891,771	3,683,280	4,892,244	**5,763,362**
Current assets	1,416,847	1,222,081	1,044,652	1,148,448	**1,216,013**
Total assets	4,190,077	4,113,852	4,727,932	6,040,692	**6,979,375**
Current liabilities	(198,906)	(128,508)	(254,954)	(322,531)	**(1,585,389)**
Total assets less current liabilities	3,991,171	3,985,344	4,472,978	5,718,161	**5,393,986**
Non-current liabilities	(438,207)	(447,822)	(897,926)	(1,461,807)	**(472,186)**
Net assets	3,552,964	3,537,522	3,575,052	4,256,354	**4,921,800**
Attributable to:					
Equity shareholders of the Company	3,232,898	3,180,360	3,308,260	3,813,458	**4,060,009**
Non-controlling interests	320,066	357,162	266,792	442,896	**861,791**
Total equity	3,552,964	3,537,522	3,575,052	4,256,354	**4,921,800**

Note:

1. Comparative figures for 2009 have been re-classified as a result of the discontinued operation to conform with the presentation for 2010. No re-classification was made for 2008 and prior years.

Executive Directors

Mr. KAM Yuen *(Chairman)*
Ms. JIN Lu
Mr. LU Tian Long
Ms. ZHENG Ting

Independent Non-executive Directors

Prof. CAO Gang
Mr. GAO Zong Ze
Prof. GU Qiao

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Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 801

Taiwan Stock Exchange Corporation
Taiwan depositary receipts code: 910801

Qualified Accountant and Company Secretary

Mr. KONG Kam Yu, ACA, AHKSA

Compliance Officer

Mr. KAM Yuen

Audit Committee Members

Prof. CAO Gang *(Chairman)*
Mr. GAO Zong Ze
Prof. GU Qiao

Remuneration Committee Members

Mr. GAO Zong Ze *(Chairman)*
Prof. CAO Gang
Prof. GU Qiao

Nomination Committee Members

Mr. GAO Zong Ze *(Chairman)*
Prof. CAO Gang
Prof. GU Qiao

Authorised Representatives

Mr. KAM Yuen
Ms. ZHENG Ting

Legal Advisers to the Company

as to Hong Kong law
Minter Ellison Lawyers

Auditors

KPMG

Principal Share Registrar and Transfer Office in the Cayman Islands

Appleby Corporate Services (Cayman) Limited

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited

Principal Bankers

China Construction Bank - Beijing Branch
Deutsche Bank AG
Sumitomo Mitsui Banking Corporation
CITIC Bank International Limited
Bank of China (Hong Kong) Limited
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