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GOLDEN MEDITECH HOLDINGS LIMITED

金衛醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00801)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018 AND CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING ENTITLEMENT TO ATTEND THE ANNUAL GENERAL MEETING

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board of directors (the “**Board**”) of Golden Meditech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) submitted herewith the consolidated audited results of the Company and its subsidiaries for the twelve months ended 31 March 2018. This announcement, containing the full text of the 2017/2018 Annual Report of the Company, is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to announcements of annual results. Printed version of the Company’s 2017/2018 Annual Report is also available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk> and of the Company at <http://www.goldenmeditech.com>.

DIVIDEND

The Board did not recommend the payment of a final dividend in respect of the year ended 31 March 2018. The Board will re-visit the Group’s future capital need and consider the possibility of declaring dividend in future.

**CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING ENTITLEMENT
TO ATTEND THE ANNUAL GENERAL MEETING TO BE HELD ON 26
SEPTEMBER 2018 (THE “AGM”)**

The register of members of the Company will be closed from Friday, 21 September 2018 to Wednesday, 26 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 20 September 2018.

By order of the Board
Golden Meditech Holdings Limited
Kam Yuen
Chairman

Hong Kong, 27 June 2018

As at the date of this announcement, the Board comprises eight directors. The executive directors are Mr. KAM Yuen (Chairman), Mr. KONG Kam Yu and Mr. FENG Wen; the non-executive director is Ms. ZHENG Ting; and the independent non-executive directors are Prof. CAO Gang, Mr. GAO Yue, Prof. GU Qiao and Mr. Daniel FOA.



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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)

The background features a complex network of blue lines and dots forming various geometric shapes, primarily triangles. A central figure of a person is also constructed from a similar wireframe of dots and lines. The overall aesthetic is modern and technological.

ENHANCING SHAREHOLDERS' VALUE

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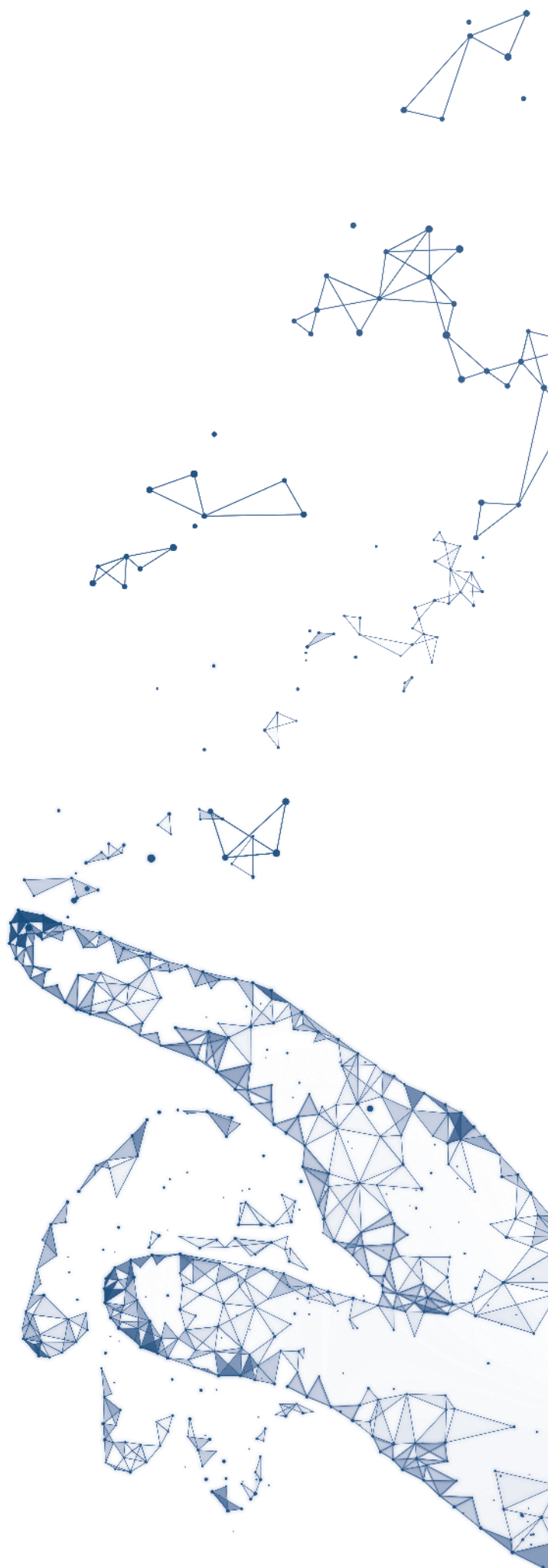
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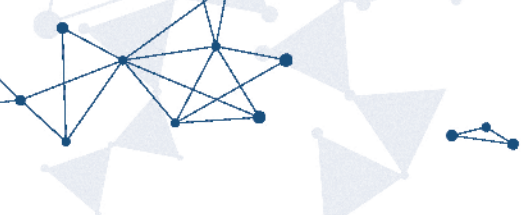
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CORPORATE PROFILE

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 Mainland China.

Golden Meditech is recognised as a first-mover in Mainland China’s healthcare industry. By turning our industry insight into strategies, we have successfully identified opportunities in the market which allow us to establish dominant positions in each of the businesses we operate in. Our strengths in innovation, healthcare expertise, rigorous demand on quality, proven strategies and ability to capture emerging market opportunities have enabled us to unleash the potential of each business unit and effectively accelerated our business growth.

THE HEALTHCARE SERVICES SEGMENT

The Group currently owns three top-quality hospitals in Beijing and Shanghai. Beijing Qinghe Hospital is a general hospital with various faculties, specialised in haematology treatments. Beijing Sunbow Obstetrics & Gynecology Hospital is a world-class obstetrics and gynecology hospital, providing obstetrics, gynecology and pediatric medical services at international standards. Leveraging on its well-known brand and sound reputation, Shanghai East International Medical Center provides premium healthcare services to the affluent people in Shanghai and the surrounding neighbourhoods.

GM-Medicare Management (China) Company Limited, a subsidiary of the Group, is a leading information technology solution provider in healthcare insurance sector in Mainland China. It provides operation and information technology solutions to medical insurance companies and healthcare institutions.

Equipped with world-class advanced technology and equipment, Shanghai GM LifeBank Co., Ltd., a subsidiary of the Group, provides cells and tissues storage services as well as the technological development, service, consultation and transfer related to the cell biology fields in Mainland China.

Shanghai GM Diagnosis Co., Ltd., a subsidiary of the Group, obtained a Practicing Licence for Medical Institution (醫療機構執業許可證) issued by the Shanghai Municipal Health Commission. It principally engages in the provision of high-end clinical molecular genetic testing and molecular pathology testing services, and is strived to become a CAP (the College of American Pathologists) accredited third-party medical laboratory with international standards.

THE MEDICAL DEVICES SEGMENT

The Group is the first-mover in the development, manufacture, sales and distribution of blood-related medical devices in Mainland China. Beijing Jingjing Medical Equipment Co., Ltd., a subsidiary of the Group, manufactures products that are specialised in blood recovery, purification and treatment. Its flagship product Autologous Blood Recovery System was the first device of its kind that obtained approval from the China Food and Drug Administration.

VISION AND MISSION

The Group is committed to achieving long-term sustainable growth through unremittingly cultivating our healthcare services and medical devices operations. We are investing in the healthcare industry with prominent market potentials, limited competition, and high investment returns in order to continuously enhance our shareholders’ value. The Group is striving to maintain our leading position in Mainland China’s integrated healthcare industry, creating a balanced portfolio and enable each business operation to be a leader in its respective market. We adhere closely to the relevant policy of the government through accelerating the consolidation of the business structure. We endeavour to benchmark ourselves alongside the global industry leaders in both quality and standards.

BUSINESS STRUCTURE

Golden Meditech Holdings Limited

(801.HK)

MEDICAL DEVICES
SEGMENT

HEALTHCARE SERVICES
SEGMENT

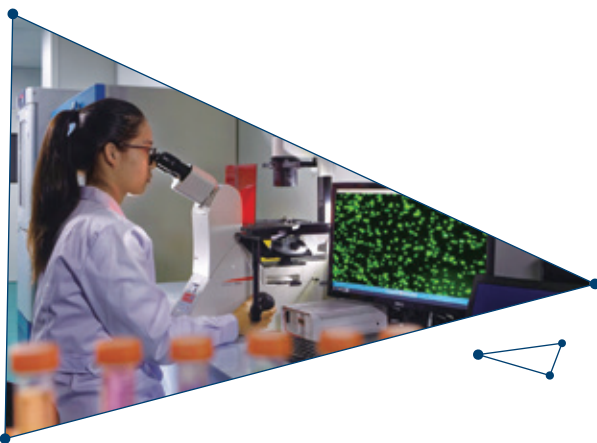
STRATEGIC
INVESTMENTS

Genetic Testing
Services Business

Cells and Tissues
Storage Business

Hospital Business

Medical Insurance
Administration Business



The group is committed to achieving **long-term sustainable growth** through unrelentingly cultivating our healthcare services and medical devices operations.



CORPORATE HISTORY AND MILESTONES

- 2018**
 - Entered into the cells and tissues storage business and the genetic testing services business, laying out strategies for entire biomedical value chain from cells and tissues storage to clinical applications
 - Cellenos, Inc., a 17.4% associate company, registered its manufacturing facility as good manufacturing practice (“GMP”) compliant with U.S. Food and Drug Administration for manufacturing cord blood-derived regulatory T-cells
 - Acquired several potential high-return investment projects, including the 50.0% equity interests in ASA Asset Management Co., Ltd., Japan, and proposed to acquire the 16.14% interests of Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (Limited Partnership) (南京盈鵬蕙康醫療產業投資合夥企業 (有限合夥)) (“YPHK Fund”)
 - Completed the disposal of 65.4% of the issued share capital of Global Cord Blood Corporation (“GCBC”, formerly known as China Cord Blood Corporation)
 - Voluntary delisting of the Taiwan depositary receipts on the Taiwan Stock Exchange
- 2017**
 - Entered into a conditional sale and purchase agreement with YPHK Fund regarding the disposal of the Group’s entire 65.4% equity interest in GCBC upon terminating the Previous Agreement
 - Entered into the precision medicine business and established cooperations with the University of Texas at MD Anderson Cancer Center and Hope Health Center in the U.S., respectively
 - Beijing Sunbow Obstetrics & Gynecology Hospital commenced operation
- 2016**
 - Entered into a conditional sale and purchase agreement with Nanjing Xinjiekou Department Store Co., Ltd. (SSE: 600682) regarding the disposal of the Group’s 65.4% equity interest (on a fully diluted basis) in GCBC (the “Previous Agreement”)
- 2015**
 - Acquired the remaining equity interest in GM Hospital Group Limited to consolidate shareholdings in hospital management business
- 2014**
 - New cord blood storage facilities in Guangdong Province and Zhejiang Province opened in the first half of fiscal year 2015
- 2013**
 - Qinghe Hospital located in Beijing Haidian District started its trial run in December
- 2012**
 - The medical devices segment established a new distribution business for imported high-end overseas medical devices
- 2011**
 - Became the first healthcare enterprise from Mainland China to list its depositary receipts on the Taiwan Stock Exchange
 - Acquired Shanghai East International Medical Center to enter into premium healthcare services market
 - GCBC secured an exclusive licence to operate cord blood storage business in Zhejiang Province
- 2010**
 - Changed its name to “Golden Meditech Holdings Limited”, to better reflect the Group’s integrated business model, diversified revenue streams and depth exposure in Mainland China’s healthcare industry
 - Launched Mainland China’s first third-party medical insurance administration, GM-Medicare Management (China) Company Limited, as a joint venture with two leading US-based health maintenance organisations

CORPORATE HISTORY AND MILESTONES

- 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 GEM (“GEM”) onto the Main Board of the Hong Kong Stock Exchange Limited (SEHK: 801)
 - Entered into the hospital management business
 - GCBC (NYSE: CO) successfully listed on the New York Stock Exchange
- 2008**
 - New cord blood storage facility in Guangdong Province commenced operation
- 2007**
 - Expansion of cord blood storage business into Guangdong Province
- 2003**
 - Strategic investment in the first cord blood bank in Mainland China and commencement of cord blood storage business in Beijing
- 2002**
 - Medical devices production facility located in Beijing commenced production
- 2001**
 - Listed on the GEM of the Stock Exchange of Hong Kong Limited (SEHK: 8180)

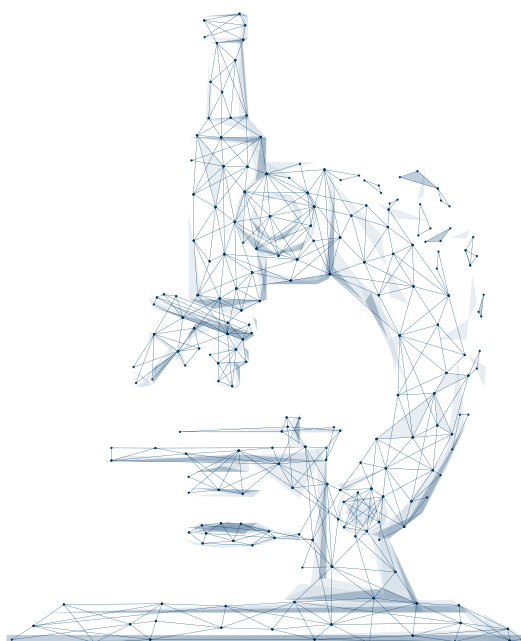


CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Golden Meditech Holdings Limited (the "Company" or "Golden Meditech", together with its subsidiaries, collectively referred to as the "Group"), I am pleased to present the Company's annual results for the fiscal year ended 31 March 2018 (the "Year"). The Group's continuing operations reported aggregate revenue of HK\$250,719,000 for the Year, an 8.7% increase on the previous corresponding year. Following the successful completion of the disposal of 65.4% equity interest in Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) for a cash consideration of RMB5,764,000,000 (equivalent to approximately HK\$7,122,204,000 as at the date of disposal), the Board rewarded shareholders with a special cash dividend of HK\$0.30 per share in appreciation of their continuous support.

In the last year, the Group pursued its innovation and diversification strategies and focused on accelerating the growth of its core healthcare services segment. The Group's hospital businesses achieved organic growth whereby all three hospitals contributed revenue during the Year. Among which, Beijing Qinghe Hospital entered into a lease agreement with Peking University People's Hospital, bringing a stable cash return to the Group. Beijing Sunbow Obstetrics & Gynecology Hospital brought comprehensive medical services to its patients through enhancing several medical disciplines, resulting in continuous improvement in revenue. Shanghai East International Medical Center's success paved the way for the Group to entering into hospital business. It is also looking to expand its operations.



The Group, via its subsidiaries, has laid out strategic plans over the fast growing biomedical value chain and established businesses ranging from cells and tissues storage, genetic testing, diagnosis to clinical applications. Shanghai GM LifeBank Co., Ltd. obtained a licence for providing cells and tissues storage services in 2014. Shanghai GM Diagnosis Co., Ltd. obtained a Practicing Licence for Medical Institution (醫療機構執業許可證) in 2018 and is positioned to become an internationally accredited third-party clinical laboratory. Its principal activities are the provision of high-end clinical molecular genetic testing and molecular pathology testing services.

Leveraging on its first-mover advantage in the healthcare sector, the Group not only fully integrated its hospital, cells and tissues storage, genetic testing and other related businesses, but also established closer cooperative relationships with overseas healthcare partners. To this end, the Group is committed to develop and promote domestic clinical biomedical applications, with a view to enabling the public access to precision medicine. The Group has teamed up with the University of Texas at MD Anderson Cancer Center in United States of America ("U.S.") to establish Cellenkos, Inc. ("Cellenkos"). Cellenkos is currently conducting clinical research and development of cord blood derived T-regulatory cellular therapies for the treatment of autoimmune diseases. Cellenkos' lead product, CK0801, delivers clinically meaningful doses of cord blood derived regulatory T-cells to overcome immune dysfunction. Cellenkos owns a GMP (good manufacturing practice) compliant, stand-alone, manufacturing facility registered with U.S. Food and Drug Administration ("FDA"). Additionally, U.S. FDA has cleared the IND (investigational new drug) application which allows Cellenkos to proceed with clinical trials. Besides, the Group has also established cooperative relationships with Dr. Nader Javadi, a pioneer of precision medicine in the U.S., to develop the combining treatments of chemotherapy, immunotherapy and targeted therapy for various types of cancers. The construction of a day clinic in Los Angeles has been approved by the relevant U.S. authority.

I have full confidence in the future of the Company. In January 2017, Magnum Opus 3 International Holdings Limited, a company controlled by me, submitted a voluntary conditional cash offer (the "Offer") to purchase additional shares at HK\$1.25 per share to the Company and such voluntary general offer was completed in April 2017. Besides, the Company also made an application for the voluntary delisting of the Taiwan depository receipts ("TDRs") from the Taiwan Stock Exchange Corporation during the Year. The Company repurchased approximately 49,208,000 outstanding TDRs and cancelled them in March 2018. Additionally, I further increased my shareholdings in the Company by acquiring a total of 29,968,000 shares in the open market in the past year. All these transactions have shown my confidence in the prospect of the Company. Upon completing the Offer, the cancellation of the repurchased TDRs and the shares acquisition in the open market, my concert parties and I held approximately 72.58% of the issued share capital of the Company.

OUTLOOK

The Chinese healthcare industry maintains a steady growth and looks vibrant with various healthcare innovations. According to the "Healthy China 2030" blueprint, it is expected that the healthcare services market spending in China will surpass RMB8 trillion in 2020; and reach RMB16 trillion by 2030. People's demand for health care will create a broader market prospect for the healthcare sector.

As a leading integrated healthcare enterprise in China, the Group prioritises its existing business as well as future developments and grows its business in phases. As of now, the Group is pleased to report that substantial investments in three hospitals are mostly completed and is expecting for their significant contributions going forward. Our next major development will be on cells and tissues storage and genetic testing services, as well as biotechnology research and development. Golden Meditech believes precision medicine is the future for treating cancerous diseases and is committed to developing this personalised medicine business. In view of the current cash and financial position, the Group will continue to seek new investment opportunities with high return potential at home and abroad to further expand healthcare services business. The Board does not rule out the possibility of declaring further special dividends if there are no suitable investment opportunities. While we continue to

CHAIRMAN'S STATEMENT

implement diversity of our sustainable development strategies, we remain committed to the strategy that has underpinned our success — driving organic growth as well as growth through acquisitions where opportunities arise. Golden Meditech strives to create decent returns for its shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to you, as our valued shareholders and customers, for your continued support. I am immensely thankful for our employees' passion and contribution.

KAM Yuen

Chairman

27 June 2018



MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Golden Meditech Holdings Limited (the “Company” or “Golden Meditech”, together with its subsidiaries, collectively referred to as the “Group”) is an integrated healthcare enterprise. Its main continuing operations include the healthcare services segment and the medical devices segment. The healthcare services segment currently consists of hospital business, medical insurance administration business, cells and tissues storage business and genetic testing services business. The medical devices segment currently consists of the manufacturing of medical devices and the sale of medical device consumables. In addition, the Group has also ventured into precision medicine and auxiliary businesses. During the fiscal year ended 31 March 2018 (“FY2017/2018” or the “Year”), the Group's continuing operations achieved a strong performance where it recorded noticeably growth in its core healthcare services segment.



MANAGEMENT DISCUSSION AND ANALYSIS

Very Substantial Disposal — Completion of Disposal of Cord Blood Storage Business (“Discontinued Operation”) and Declaration of Special Dividend

In April 2015, the Company submitted a non-binding privatisation proposal to the board of directors of Global Cord Blood Corporation (“GCBC”, formerly known as China Cord Blood Corporation) (the “Proposed Privatisation”). During the process of the Proposed Privatisation, the Group was approached by Nanjing Xinjiekou Department Store Co., Ltd.* (南京新街口百貨商店股份有限公司) (“NJXB”) in respect of the disposal of its 65.4% fully-diluted equity interest in GCBC (please refer to the Company’s announcement dated 13 January 2016). The disposal was approved by the shareholders of the Company. Consequently, the cord blood storage business was classified as the Group’s discontinued operation in the fiscal year 2015/2016. However, NJXB decided to withdraw the application for the China Securities Regulatory Commission’s approval of its acquisition of GCBC shares in August 2016 due to the uncertainty in the regulatory policy at that time regarding significant asset restructuring of listed companies in the People’s Republic of China (“PRC”).

Subsequently in September 2016, the Company entered into an earnest money agreement with Sanpower Group Limited* (三胞集團有限公司) (“Sanpower”), the substantial shareholder of NJXB. Pursuant to the agreement, Sanpower agreed to pay the Company an earnest money of RMB300,000,000 (equivalent to approximately HK\$348,867,000 at the date of receipt) so as to facilitate alternative arrangements for the future sale and purchase of the GCBC shares (please refer to the Company’s announcements dated 1 September 2016 and 31 October 2016).

As disclosed in the Company’s announcement dated 30 December 2016, the Company, Golden Meditech Stem Cells (BVI) Company Limited (“GMSC”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (Limited Partnership)* (南京盈鵬蕙康醫療產業投資合夥企業 (有限合夥)) (“YPHK Fund”) regarding the disposal of the Company’s entire 65.4% fully-diluted equity interest in GCBC for a total cash consideration of RMB5,764,000,000 (equivalent to approximately HK\$6,398,000,000 as at the agreement date) (the “Disposal”). The Disposal was approved by the Company’s shareholders in March 2017. Subsequently, the Company terminated the Proposed Privatisation upon receiving a termination letter from GCBC in April 2017.

In November 2017, the Company, GMSC and YPHK Fund entered into a supplemental agreement (the “Supplemental Agreement”) to extend the completion of the Disposal (the “Completion”) to 31 December 2017. In the event that the Completion would be further extended to 31 January 2018, YPHK Fund would pay GMSC an extension fee of US\$10,000,000 (equivalent to approximately HK\$78,000,000 as at the agreement date) (please refer to the Company’s announcement dated 14 November 2017).

The Group completed the Disposal in January 2018. Further information of the Disposal is set out in note 8 to the financial statements. Acknowledging the continuous support and trust from its shareholders, Golden Meditech declared a special cash dividend of HK\$0.30 per share in February 2018. Additionally, the Group is actively looking for investment opportunities in healthcare sector. The board of directors of the Company may consider declaring further special dividend if there are no suitable investment opportunities in the future (please refer to the Company’s announcements dated 31 January 2018 and 13 February 2018).

Continuing Operations

I. Healthcare Services Segment

Hospital Business

The Chinese healthcare sector maintains its stable growth momentum. The government has further opened up the healthcare market to private capital through actively promoting private equity investments especially in the specialty market. In doing so, investors are encouraged to establish branded specialist medical groups as well as general hospitals with specialist services. Since the Group commenced its hospital operations in certain targeted healthcare markets in 2008, hospital brand building and the provision of quality and professional services top its priorities list. At the same time, the Group managed to improve the operation and management of its hospital business.





MANAGEMENT DISCUSSION AND ANALYSIS

Beijing Qinghe Hospital (“Qinghe Hospital”) specialises in haematology and provides a broad range of medical disciplines. It offers 500 beds, of which 48 beds are haematology wards. In June 2017, in response to the increasing competitive environment for medical institutions in Beijing, Qinghe Hospital leased out several floors of its space and medical equipment to Peking University People’s Hospital (北京大學人民醫院) in return for rental income.

Leveraging on its renowned international hospital brand, Shanghai East International Medical Center (“SEIMC”) provides premium healthcare services in Shanghai and the surrounding neighbourhoods. SEIMC owns a team of experienced Chinese and foreign medical experts and offers direct bill settlement services to several international and domestic insurance companies. These moves have created loyalty from multinational corporations and other affluent customers. In order to better meet the demands of high-end healthcare services market, SEIMC is actively seeking to expand its business scale.

Beijing Sunbow Obstetrics & Gynecology Hospital (“Sunbow O&G Hospital”) offers 99 beds and provides international standard obstetrics, gynecology and pediatric medical services. Equipped with advanced medical equipment, Sunbow O&G Hospital hires professional and experienced medical talents from famous hospitals. It brings safer and more assured medical treatment experience to its expectant mothers and patients through standardised consulting procedures, personalised private doctor tracking system, psychological guidance and other personalised services. Sunbow O&G Hospital will bring comprehensive medical services to its patients through developing several medical disciplines, contributing to the Group’s profitability soonest possible.

All three hospitals contributed revenue to the Group during the Year. Qinghe Hospital performed particularly well and became a key revenue stream provider for the hospital business. SEIMC has a well-established operational model and is expected to deliver improved operational performance. Sunbow O&G Hospital is a world-class obstetrics and gynecology hospital and is positioned to be a key hospital for high-end obstetrics and gynecology services in Beijing area.

MANAGEMENT DISCUSSION AND ANALYSIS

Medical Insurance Administration Business

GM-Medicare Management (China) Company Limited (“GM-Medicare”), a subsidiary of the Group, is a leading information technology solution provider in healthcare insurance sector. It provides operational and information technology solutions to medical insurance companies and healthcare institutions. GM-Medicare is able to provide tailor-made third-party administrator (“TPA”) services by building upon its self-developed intelligent software platform. Such TPA services include claims, review process, bill settlement and data analysis that are custom-made to customers’ needs. These services enable the medical insurance companies to minimise their operational costs as well as enhance efficiency. GM-Medicare is the first professional TPA who assisted the government’s healthcare insurance agencies in realising off-site real-time review process and bill settlement. As an innovative and independent professional third-party service provider, GM-Medicare makes contribution to help the acceleration of medical reforms as well as the upgrade of social security system. The Group is well positioned to become a leading player in the medical insurance administration sector by tapping into our extensive network of medical institutions, overseas cooperation platforms and professional experience in information technology and services.

Cells and Tissues Storage Business

Shanghai GM LifeBank Co., Ltd. (“GM LifeBank”), a wholly-owned subsidiary of the Group, was established in 2014. It focuses on the provision of cells and tissues storage services as well as their clinical applications. GM LifeBank not only will play a pivotal role in the research and development on cancer treatment, using its biological samples, but also will improve the Group’s profitability in the future.





MANAGEMENT DISCUSSION AND ANALYSIS

Genetic Testing Services Business

Thanks to its first class equipment, advanced technology and competent management, Shanghai GM Diagnosis Co., Ltd. ("GM Diagnosis"), a wholly-owned subsidiary of the Group, successfully passed all inspections to obtain a Practicing Licence for Medical Institution (醫療機構執業許可證) issued by the Shanghai Municipal Health Commission in 2018. GM Diagnosis is principally engaged in the provision of high-end clinical molecular genetic testing and molecular pathology testing services. It aims to become a third-party medical laboratory accredited internationally by CAP (the College of American Pathologists).

The establishment of both GM LifeBank and GM Diagnosis forms part of the Group's strategic plan in the biomedical field. These newly established businesses range from cells and tissues storage, genetic testing, diagnosis to clinical applications. As part of development in the biomedical field, the Group has also sought closer cooperation with overseas healthcare partners, introducing foreign advanced technology and equipment and developing biomedicine clinical applications domestically (please refer to the following "Strategic Investments" section).

II. Medical Devices Segment

The Group is primarily engaged in the development, manufacture, sales and distribution of blood-related medical devices in Mainland China. Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing"), a leading medical device manufacturer in China, provides domestically developed products specialised in blood recovery, purification and treatment. Its self-developed flagship product Autologous Blood Recovery System ("ABRS") was the first device of its kind that obtained approval from the China Food and Drug Administration. Over the years, ABRSs were successfully installed in hundreds of mid and large-sized hospitals in first-tier cities nationwide. The Group continued to adopt a flexible pricing policy to maintain its market share in view of the intensified competition. Importantly, the Group is evaluating several innovative medical device products, and is confident in diversifying its medical devices business.

III. Strategic Investments

Precision Medicine Business

Golden Meditech Javadi Precision Medicine Limited ("GM Javadi"), a 40.0% joint venture of the Group, is jointly established by the Group, Dr. Nader Javadi, a pioneer in precision medicine in the U.S., and an independent strategic investor. GM Javadi owns a renowned day clinic in the U.S. that focuses on the combined treatment of chemotherapy, immunotherapy and targeted therapy for various cancers, enhancing patients' living quality and extended their survival rate. The construction project of the daytime precision medical center in Los Angeles has been approved by the relevant U.S. authority. It is believed that GM Javadi would bring considerable benefits to the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

Cell Therapy Business

The Group partnered with the University of Texas at MD Anderson Cancer Center and an independent strategic investor to set up Cellenkos Inc. ("Cellenkos"), a 17.4% associate company of the Group. Cellenkos aims to develop cord blood derived T-regulatory cellular therapies in treating autoimmune diseases as well as expand the therapies into key Asian markets. Cellenkos' lead product, CK0801, delivers clinically meaningful doses of cord blood derived regulatory T-cells to overcome immune dysfunction. Presently, U.S. Food and Drug Administration ("FDA") has cleared the IND (investigational new drug) application which allows Cellenkos to proceed with clinical trials of CK0801 to assess its activity, pharmacokinetics and safety in patients with a variety of autoimmune diseases and inflammatory disorders. Cellenkos successfully registered its stand-alone manufacturing facility as good manufacturing practice ("GMP") compliant with U.S. FDA. Located in Houston, Texas, this manufacturing facility has the capacity to supply sufficient quantities of CK0801 for all company-sponsored clinical trials as well as future clinical treatment.

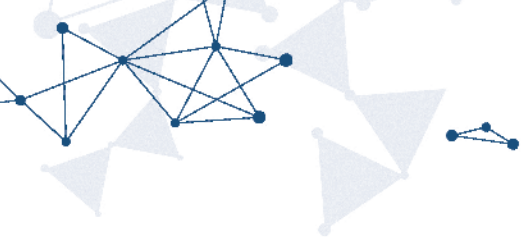
Leveraging on its first-mover advantage in the healthcare sector, the Group successfully integrated its hospital business, cells and tissues storage, genetic testing and other related businesses. By forging closer cooperation with overseas healthcare partners, Golden Meditech is committed to develop and promote biomedicine clinical applications domestically that will benefit the public. The management believes that precision medicine is the future development for cancerous treatment and is confident in the developing its precision medicine business.

Acquisitions

Acquisition of 16.14% Interest of YPHK Fund

As announced in the Company's announcement dated 4 February 2018, Golden Meditech Technology (Shanghai) Company Limited (金衛醫療科技(上海)有限公司), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with, among others, Hengqin Long Xi II Investment Center (Limited Partnership) (橫琴隆璽貳號投資中心(有限合夥)) ("Hengqin Investment") to acquire 16.14% interest in YPHK Fund as a limited partner. The total cash consideration is equivalent to the initial capital contribution in the amount of RMB1,060,000,000 (equivalent to approximately HK\$1,303,800,000 as at the agreement date) made by Hengqin Investment with a 9% annual return rate (in any event, the total consideration shall not be more than approximately RMB1,127,172,000 (equivalent to approximately HK\$1,386,422,000 as at the agreement date)).

Concurrently, the Company, Shanghai Guotai Junan Haojing Investment Management Limited (上海國泰君安好景投資管理有限公司) ("Guotai Junan"), Nanjing Ying Peng Asset Management Co., Ltd. (南京盈鵬資產管理有限公司) and Hengqin Investment entered into a general partner framework agreement pursuant to which, subject to the Company and Guotai Junan entering into a legally-binding agreement, the Company intends to become one of the general partners and fund managers of YPHK Fund with the rights, powers, benefits and obligations equivalent to those of Guotai Junan in YPHK Fund.



MANAGEMENT DISCUSSION AND ANALYSIS

Acquisition of 50% Equity Interests in ASA Asset Management Co., Ltd. ("ASA")

In December 2017, Golden Meditech K.K. ("GM K.K.") (an indirect wholly-owned subsidiary of the Company), Magnum Opus International Holdings Limited ("Magnum Opus") (a wholly-owned company of the Group's chairman and executive director Mr. Kam Yuen) and ASA Global Inc. entered into a share transfer agreement. Pursuant to the agreement, GM K.K. and Magnum Opus agreed to acquire 50% equity interests each in ASA at a cash consideration of JPY425,000,000 (equivalent to approximately HK\$29,219,000 as at the agreement date), respectively. ASA is principally engaged in the provision of real estate asset management, investment consultancy and property arrangement services (including trust agreement and financial instrument services) and permits in wealth management. ASA manages offices, residences, commercial facilities and healthcare houses (please refer to the Company's announcement dated 11 December 2017 and 28 February 2018).

Debt Capitalisation Agreement Regarding Acquisition of Equity Interests in Life Corporation Limited ("LFC") and Loan Agreement

In June 2017, GM Investment Company Limited ("GMI"), a wholly-owned subsidiary of the Company, and LFC entered into a debt capitalisation agreement (the "Debt Capitalisation"), pursuant to which both parties agreed to convert the convertible bond (the "CB") in the principal amount of SGD3,000,000 (equivalent to approximately HK\$17,951,000) issued by LFC to GMI in 2014. Upon the completion of the Debt Capitalisation, the Group held 48.58% equity interests in LFC (please refer to the Company's announcements dated 30 June 2017, 22 August 2017 and 9 October 2017).

Thereafter, LFC further carried out certain equity transactions and, as a result, the Group's equity interests in LFC reached 50.23% as at 31 March 2018. LFC and its subsidiaries are principally engaged in the provision of multi-religion funeral services and columbarium services in Singapore.

In November 2017, GMI and Life Corporation Services (S) Pte. Ltd. ("LFC Services"), a wholly-owned subsidiary of LFC, entered into a loan agreement. Pursuant to the agreement, GMI agreed to grant LFC Services a loan facility in the principal amount of SGD5,000,000 (equivalent to approximately HK\$29,918,000) at the interest rate of 9% per annum for a term of three years to facilitate the construction of an automated columbarium by LFC Services. The construction is expected to complete within two years. The management believes that once LFC's automated columbarium business commenced, it will bring higher returns to the Group and its shareholders (please refer to the Company's announcements dated 6 November 2017).

Voluntary Delisting (the "Voluntary Delisting") of the Taiwan Depository Receipts ("TDRs") on the Taiwan Stock Exchange Corporation ("TWSE")

In October 2017, the board of directors of the Company made an application for the Voluntary Delisting on TWSE, and accordingly repurchased outstanding TDRs from Taiwan stock market. In November 2017, TWSE approved the Voluntary Delisting and the Company's TDRs ceased trading on 13 December 2017 (please refer to the Company's announcements dated 30 October 2017, 22 November 2017 and 1 February 2018).

MANAGEMENT DISCUSSION AND ANALYSIS

Financing

Redemption of Convertible Notes

In November 2017, the Company paid a sum of approximately US\$25,226,000 (equivalent to approximately HK\$196,762,000) to redeem the outstanding convertible notes due November 2017 in an aggregate principal amount of US\$20,000,000 (equivalent to approximately HK\$156,000,000) from Gem Power International Limited (an indirectly wholly-owned subsidiary of CCB International (Holdings) Limited).

Redemption of Promissory Notes

The Group issued the promissory notes (the "Promissory Notes") in the aggregate principal amount of US\$250,000,000 (equivalent to approximately HK\$1,950,000,000) to an investor, Blue Ocean Structure Investment Company Ltd. ("Blue Ocean") in 2015 and 2016. The Group has fully redeemed the Promissory Notes during the Year.

Key Financial Performance Indicators

The Group reported the operating results of GCBC for the period from 1 April 2017 to 31 January 2018 and the year ended 31 March 2017 separately as discontinued operation in the consolidated income statement. Assets and liabilities of GCBC as at 31 March 2017 were presented separately as "assets of disposal group classified as held for sale" and "liabilities of disposal group classified as held for sale" in the consolidated statement of financial position.

Continuing Operations

The Group's total revenue from continuing operations bounced back from its recent decline during the Year to reach HK\$250,719,000, an increase of 8.7% year-on-year. The increase was mainly attributable to the growth in healthcare services segment.

1. Healthcare Services Segment

	FY2017/2018 (HK\$'000)	FY2016/2017 (HK\$'000)
Revenue from hospital business	107,118	60,456
Revenue from medical insurance administration business	5,486	4,693
Revenue from cells and tissues storage business and genetic testing business	944	—
Selling, marketing and administrative expenses	(213,631)	(199,725)
Loss before interest, tax, depreciation, amortisation and impairment loss on goodwill	(105,457)	(99,702)
Impairment loss on goodwill	—	(294,995)
Loss after tax	(188,921)	(480,304)



MANAGEMENT DISCUSSION AND ANALYSIS

In FY2017/2018, revenue from the healthcare services segment increased significantly by 74.3% year-on-year to HK\$113,548,000, accounting for 45.3% of the Group's total revenue from continuing operations. The increase was largely attributable to the 77.2% year-on-year increase in hospital business revenue. Revenue generated from hospital business, medical insurance administration business and cells and tissues storage and genetic testing businesses amounted to HK\$107,118,000, HK\$5,486,000 and HK\$944,000, accounting for 94.3%, 4.8% and 0.9% of the healthcare services revenue, respectively.

Hospital Business

Qinghe Hospital recorded revenue of HK\$41,051,000 during the Year. Qinghe Hospital entered into a lease agreement with Peking University People's Hospital (北京大學人民醫院), where it leases out several floors of Qinghe Hospital's space and medical equipment.

Sunbow O&G Hospital commenced operations since October 2016 and recorded revenue of HK\$13,308,000 during the Year, as compared to HK\$1,177,000 for the corresponding period last year.

Since Sunbow O&G Hospital is still in its start-up and expansion phase, the increase in cost of sales outpaced the increase in revenue. As Qinghe Hospital also incurred additional property taxes as a result of its rental income, therefore, operating loss of the healthcare services segment remained at the similar level as the year before.

The Group will continue to actively explore diversified marketing channels such as new media, to promote the Group's hospitals and at the same time, provide full range, convenient and quality healthcare services to its patients. Management believes such strategies will enhance the operating efficiency and profitability of the hospital business.

Medical Insurance Administration Business

Revenue from medical insurance administration business was HK\$5,486,000 during the Year, representing an increase of 16.9% year-on-year. Counting on its self-developed intelligent software platform, extensive network of medical institutions as well as comprehensive domestic and international background in the healthcare sector, the Group aims to provide comprehensive one-stop TPA services to more commercial insurance companies, hoping to enlarge its market share in the future.

Cells and Tissues Storage Business and Genetic Testing Services Business

In FY2017/2018, the newly start-up GM Diagnosis as well as GM LifeBank contributed revenue of HK\$944,000 to the Group. Management believes both GM LifeBank and GM Diagnosis would improve the Group's revenue and profitability once they are fully operational.

During the Year, selling, marketing and administrative expenses from the healthcare services segment totalled HK\$213,631,000, representing an increase of 7.0% year-on-year. The increase was mainly attributable to the increase in operating expenses from Sunbow O&G Hospital, GM Diagnosis and GM LifeBank.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Medical Devices Segment

	FY2017/2018 (HK\$'000)	FY2016/2017 (HK\$'000)
Revenue from medical devices	4,156	12,070
Revenue from medical device consumables	89,933	112,113
Revenue from distribution of medical consumables	37,808	36,480
Selling, marketing and administrative expenses	(75,421)	(52,049)
Profit before interest, tax, depreciation and amortisation	19,050	42,794
Profit after tax	2,546	28,361

In FY2017/2018, revenue from the medical devices segment decreased by 17.9% year-on-year to HK\$131,897,000, accounting for 52.6% of the Group's total revenue from continuing operations. Among which, revenue from medical devices and medical device consumables fell by 65.6% and 19.8% to HK\$4,156,000 and HK\$89,933,000, respectively. The decrease was mainly attributable to the intensified market competition, leading to the decline in sales volume. The Group adjusted its marketing campaigns in a timely manner to promote our products and at the same time actively exploring new project opportunities.

During the Year, revenue from distribution of medical consumables amounted to HK\$37,808,000, in-line with the corresponding period last year.

During the Year, selling, marketing and administrative expenses from the medical devices segment increased by 44.9% year-on-year to HK\$75,421,000, largely attributable to the increase in expenses for expanding the Group's marketing team as well as exploring new sales channels.

III. Strategic Investments

	FY2017/2018 (HK\$'000)	FY2016/2017 (HK\$'000)
Revenue from Chinese herbal medicines business	5,274	4,854
Selling, marketing and administrative expenses	(23,207)	(19,743)
Loss before interest, tax, depreciation and amortisation	(3,983)	(3,702)
Share of net loss from Cellenkos, GM Javadi, LFC and ASA	(13,873)	(1,531)
Changes in fair value of Cellenkos warrant	(4,131)	(1,524)
Loss after tax	(38,470)	(22,493)

The Group's strategic investments include the Chinese herbal medicines business, investments in associates and joint venture companies. During the Year, no major fluctuation was noted for the Chinese herbal medicines business.



MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, (losses)/gain attributable to the Group from Cellenkos, GM Javadi, LFC and ASA were HK\$(6,284,000), HK\$(6,610,000), HK\$(1,613,000) and HK\$634,000, respectively. Both Cellenkos and GM Javadi, the Group's strategic roadmap in the precision medicine field, would create first-mover advantage in the research and development of cancer immunotherapy, benefiting the Group in the long run.

Future Development

Looking ahead, the Group will continue to seize the investment opportunities arise in the healthcare industry and strengthen its core healthcare services in the high-end market as well as expand the scope and scale of healthcare services. The Group will further strengthen the medical disciplines and management of its hospitals to further enhance its efficiency and accelerate its business growth. Importantly, the Group will capitalise on its hospital brand to expedite its expansion plan and create multi-layered high-end healthcare services. Given the challenging environments in medical devices segment, the Group remains committed to expanding its marketing channels, consolidating the existing medical devices and consumables business and actively exploring new innovative projects.

As a leading integrated healthcare enterprise in China, the Group will continue to integrate its healthcare services business as well as bolster its strategic layout in the biomedical value chain. The management believes that precision medicine is the future for cancers treatment and is positive in the development of precision medicine business. To this end, the Group plans to make further investments in cells and tissues storage, genetic testing services and biotechnology research and development. In addition, the Group will continue to explore new investment opportunities at home and abroad with high return potential. The Group remains committed to the diversified sustainable strategy via organic growth and inorganic growth through acquisitions, with a view to creating value and better returns to its shareholders.

GROUP FINANCIAL REVIEW

Revenue

During the Year, the Group recorded revenue of HK\$250,719,000, representing an increase of 8.7% year-on-year. The increase was mainly attributable to the 74.3% increase in healthcare services revenue, amounting to HK\$113,548,000, driven by revenue contribution from Qinghe Hospital and Sunbow O&G Hospital. However, owing to the intensified market competition, revenue from the medical devices segment fell by 17.9% year-on-year to HK\$131,897,000, which offset partially the increase brought by the healthcare services segment.

Gross Profit Margin

The Group's gross profit margin from continuing operations increased by 1.4 percentage points year-on-year to 43.8%. Among which, the healthcare services segment and the medical devices segment reported gross profit margins of 27.7% and 63.3%, respectively, as compared to 29.5% and 52.3% in the corresponding period last year. Despite the decline in sales volume, the Group adequately increased the selling price of medical device consumables, leading to increased gross profit margin of medical devices segment.

Selling, marketing and Administrative Expenses

The Group continued to invest in its marketing and business development initiatives in each of its business segment. Selling, marketing and administrative expenses during the Year totalled HK\$458,352,000, representing an increase of 8.2% year-on-year, which was mainly attributable to the legal and professional fee incurred for potential investment projects.

Other Income

During the Year, the Group recorded other income of HK\$99,953,000, as compared to HK\$14,582,000 in the corresponding period last year. Increase in other income was largely attributable to the HK\$117,679,000 interest income on the receivables related to the settlement agreement with Sanpower in connection with the Group's investment in Fortress Group Limited; as the settlement agreement became effective in January 2017, the corresponding amount recorded in previous year was only HK\$3,973,000. Furthermore, as a result of the fluctuation in RMB exchange rates, the Group recorded exchange loss of HK\$28,799,000, which partially offset the increase in interest income from the receivables from Sanpower.

Impairment loss on Available-for-sale Securities

During the Year, certain available-for-sale securities of the Group were determined to be impaired, accordingly, the Group recorded impairment loss of HK\$49,603,000.

Loss from Operations from Continuing Operations

During the Year, the Group recorded an operating loss from continuing operations of HK\$298,074,000, representing a slight improvement of 4.5% as compared to the corresponding period last year, which was largely attributable to the increase in gross profit, while the increase in other income had been offset by the increase in selling, marketing and administrative expenses and impairment loss on available-for-sale securities.

Finance Costs

During the Year, finance costs decreased significantly by 34.1% year-on-year to HK\$377,055,000. Such decrease was mainly attributable to the interest on the Promissory Notes. The Group had fully redeemed the Promissory Notes during the Year, therefore, the related finance costs declined by 42.9% to HK\$300,078,000 as compared to the corresponding period last year.

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

During the Year, the Group recorded a fair value loss of HK\$43,354,000 upon redemption of convertible notes. On 13 November 2017, the Company paid approximately HK\$196,762,000 to Gem Power International Limited to redeem the convertible notes issued by the Company in November 2014 in an aggregate principal amount of US\$20,000,000 (equivalent to approximately HK\$156,000,000).

Income Tax Expense

During the Year, the Group's total income tax expense was HK\$8,519,000, representing an increase of 218.8% year-on-year. The increase was mainly attributable to the withholding tax incurred for the loan interests from a joint venture, as well as income tax and value-added tax incurred for the interests on inter-company financing in PRC during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss Attributable to Equity Shareholders of the Company from Continuing Operations

During the Year, loss attributable to equity shareholders of the Company from continuing operations was HK\$707,605,000, representing a year-on-year increase of 62.0%. Excluding impairment losses on available-for-sale securities and goodwill, and the one-off reversal of impairment loss on investment in Fortress Group Limited, the adjusted loss attributable to equity shareholders of the Company from continuing operations was HK\$658,002,000, as compared to HK\$875,118,000 in the corresponding period last year. Such fluctuation was mainly caused by the significant decrease in finance costs explained above.

Profit for the Period/Year from Discontinued Operation

	Ten Months from 1 April 2017 to 31 January 2018 (HK\$'000)	FY 2016/2017 (HK\$'000)
Revenue	916,800	876,201
Cost of sales	(143,303)	(144,167)
Gross profit	773,497	732,034
Other income	24,585	26,974
Selling and marketing expenses	(205,689)	(202,249)
Administrative expenses	(212,309)	(216,028)
Impairment loss on available-for-sale securities	—	(2,943)
Profit from operations	380,084	337,788
Finance costs	—	(1,704)
Profit before tax	380,084	336,084
Income tax expense	(61,673)	(44,685)
Profit after tax	318,411	291,399
Gain on disposal of GCBC	4,501,901	—
Income tax expense in relation to the disposal of GCBC	(712,220)	—
Net gain on disposal of GCBC	3,789,681	—
Profit for the period/year from discontinued operation	4,108,092	291,399



MANAGEMENT DISCUSSION AND ANALYSIS



As at 31 January 2018, GCBC recorded 647,707 accumulated subscribers. Its revenue amounted to HK\$916,800,000, representing an annualised increase of 25.6% year-on-year. Excluding the net gain on disposal of GCBC, profit from discontinued operation was HK\$318,411,000, representing an annualised increase of 31.1% year-on-year. The above increase were largely attributable to the expanded subscribers base. The Group completed the disposal of GCBC and recorded net gain on disposal of HK\$3,789,681,000 during the Year, including such net gain, profit from discontinued operation was HK\$4,108,092,000.

Current Assets and Total Assets from Continuing Operations

As at 31 March 2018, the Group's total current assets and total assets were HK\$4,785,370,000 and HK\$8,718,467,000 (31 March 2017: HK\$1,005,944,000 and HK\$5,242,235,000), respectively.

Liquidity and Financial Resources from Continuing Operations

As at 31 March 2018, the Group's cash and bank deposits amounted to HK\$3,812,150,000 (31 March 2017: HK\$512,957,000) and total interest-bearing borrowings stood at HK\$1,174,055,000 (31 March 2017: HK\$3,003,833,000). Of which, the bank borrowings of HK\$1,150,591,000 were secured by the Group's interests in leasehold land located in the PRC with a carrying amount of HK\$638,196,000 and deposits with banks of HK\$966,508,000. Excluding those borrowings pledged by deposits (applicable as at 31 March 2018) and Promissory Notes (applicable as at 31 March 2017), the Group's net interest-bearing borrowings as at 31 March 2018 and 2017 were HK\$398,370,000 and HK\$564,296,000, respectively.

As at 31 March 2018, the Group's net cash and bank deposits were HK\$2,845,642,000.

Debt Ratio from Continuing Operations

As at 31 March 2018, based on the total interest-bearing borrowings divided by total equity, the Group's debt ratio was 21.1% (31 March 2017: 82.0%). Excluding the abovementioned pledged bank borrowings and Promissory Notes, the Group's adjusted debt ratio as at 31 March 2018 and 2017 was 7.2% and 15.4%, respectively. From a long-term perspective, the management is committed to maintain an optimal and stable level of debt ratio, in order to achieve maximum capital efficiency.

Details of Pledged Assets and Loan Guarantees from Continuing Operations

As at 31 March 2018, the Group had pledged certain assets as collaterals and provided guarantees for certain borrowings as follows:

- (i) the bank loans of the Company of HK\$775,685,000 were guaranteed by the bank deposits of HK\$966,508,000; and
- (ii) the bank loan of the Company of HK\$374,906,000 was secured by interests in leasehold land, with a carrying amount of HK\$638,196,000.

Further details of pledged assets and loan guarantees are set out in note 26 to the financial statements.



MANAGEMENT DISCUSSION AND ANALYSIS

Employees from Continuing Operations and Discontinued Operation

The Group employed 926 full-time staff in continuing operations in Hong Kong and in Mainland China (31 March 2017: 1,796, among which, 736 and 1,060 staff were employed in continuing operations and discontinued operation, respectively). During the Year, total staff costs (including directors' remuneration, the Mandatory Provident Fund and equity settled share-based payment expenses) amounted to HK\$412,169,000 (2017: HK\$419,942,000). The staff costs of the continuing operations and discontinued operation were HK\$171,865,000 and HK\$240,304,000 (2017: HK\$170,876,000 and HK\$249,066,000), respectively.

* *English name is for identification purpose only.*



CORPORATE GOVERNANCE REPORT



The board (the “Board”) of directors (the “Directors”) of Golden Meditech Holdings Limited (the “Company” and together with its subsidiaries, collectively referred to as the “Group”) is pleased to present this Corporate Governance Report for the year ended 31 March 2018 (the “Reporting Period”).

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 Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

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 2018, 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 inside information 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.



CORPORATE GOVERNANCE REPORT

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.

Board 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.

During the Reporting Period, the Board comprised two Executive Directors, two Non-Executive Directors and four Independent Non-Executive Directors. There are no relationships among members of the Board. With effect from 26 April 2018, Mr. FENG Wen has been re-designated from an Independent Non-Executive Director to an Executive Director and Mr. GAO Yue has been re-designated from a Non-Executive Director to an Independent Non-Executive Director. Mr. FENG Wen has also ceased to act as a member and the chairman of the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") and a member of the audit committee (the "Audit Committee") of the Company. Mr. GAO Yue has been appointed as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee in replacement of Mr. FENG Wen.

Executive Directors:

Mr. KAM Yuen (*Chairman*)

Mr. KONG Kam Yu

Mr. FENG Wen (re-designated as Executive Director on 26 April 2018)

Non-Executive Director:

Ms. ZHENG Ting

Independent Non-Executive Directors:

Prof. CAO Gang (*Chairman of the Audit Committee, member of the Remuneration Committee and Nomination Committee*)

Mr. GAO Yue (re-designated as an Independent Non-Executive Director on 26 April 2018) (*Chairman of the Remuneration Committee and Nomination Committee and member of the Audit Committee*)

Prof. GU Qiao (*Member of the Audit Committee, Remuneration Committee and Nomination Committee*)

Mr. Daniel FOA

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

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

Throughout the year ended 31 March 2018, 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 Directors a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Although Prof. GU Qiao and Prof. CAO Gang have served as Independent Non-Executive Directors for more than nine years, the Directors are of the opinion that Prof. Gu and Prof. Cao 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. Save as disclosed below in respect of Mr. GAO Yue, 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.

With effect from 26 April 2018, Mr. FENG Wen has been re-designated from an Independent Non-Executive Director to an Executive Director and Mr. GAO Yue has been re-designated from a Non-Executive Director to an Independent Non-Executive Director. Mr. FENG Wen has also ceased to act as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee. Mr. GAO Yue has been appointed as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee in replacement of Mr. FENG Wen.

During Mr. GAO Yue's tenure as a Non-Executive Director, he did not have any executive or management role or functions in the Company and the Group. Mr. Gao has never been involved in the day-to-day operation of the Company and the Group, he only attended meetings of the Board in his capacity as a Non-Executive Director throughout his tenure. The Board considers that the designation of Independent Non-executive Director better described the role and involvement of Mr. Gao in the Board.

Notwithstanding his position as a Non-Executive Director prior to his re-designation, the Board considers that Mr. Gao is independent and has satisfied the criteria for independence set out in the Company's corporate governance policy (the "Corporate Governance Policy") and Rule 3.13 of the Listing Rules, save and except for one criterion as he has been a Non-executive Director until 25 April 2018.

Mr. Gao has provided a confirmation of his independence to the Company. Besides, the Company has conducted due diligence on the background of Mr. Gao. The Board is of the view that Mr. Gao possesses all the characteristics to act as an Independent Non-executive Director and will be able to carry out his duties impartially and independently. The Board also trusts that Mr. Gao, being an experienced practicing lawyer of recognised good standing, possesses the requisite integrity to maintain independence in fulfilling the role of an Independent Non-Executive Director effectively.



CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code Provisions set out in the CG Code and disclosure in the Corporate Governance Report.

In order to ensure compliance with the CG Code and the Listing Rules, the Company has adopted the Corporate Governance Policy on 11 April 2017, on the principles and procedures for corporate governance of the Group, with terms no less exacting than those set out in CG Code and Rule 3.13(1) to (8) of Listing Rules.

During the year ended 31 March 2018, the Board has reviewed the Company's corporate governance practices.

The board diversity policy (the "Board Diversity Policy") sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has set measurable objectives (including the aforesaid measurable objectives) to implement the Board Diversity Policy and the Nomination Committee is responsible for reviewing such objects from time to time to ensure their appropriateness and monitoring the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy.

During the year under review, the Nomination Committee has considered the Board Diversity Policy and whether the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that the current composition of the Board is a balanced and diverse combination that suits the business development of the Company.

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.

The Board 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.

In the process of selection of Directors, 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/her appointment and on a timely basis thereafter, disclose to the Board the number and nature of offices held by such Director in other listed companies and public organisations and any other significant commitments.

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

In addition, any new Director appointed by the Company in general meeting to fill a casual vacancy or as an additional Director shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

In accordance with Article 108 of the Articles of Association, Mr. KONG Kam Yu, Mr. FENG Wen and Prof. GU Qiao shall retire by rotation at the forthcoming annual general meeting to be held on 26 September 2018 (the "2018 AGM"), being eligible, offer themselves for re-election.

The Board recommends the re-appointment of the aforesaid Directors, whose biographical details are contained in the circular to be sent to the shareholders before the 2018 AGM.

Mr. KAM Yuen, an Executive Director, entered into a service contract with the Company commencing on 1 April 2005 as an Executive Director and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.



CORPORATE GOVERNANCE REPORT

Mr. KONG Kam Yu, an Executive Director, entered into a service contract with the Company commencing on 25 September 2012 as an Executive Director and will continue thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Mr. FENG Wen, an Executive Director, entered into a service contract with the Company commencing on 26 April 2018 as an Executive Director and will continue thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Ms. ZHENG Ting, a Non-Executive Director, entered into a service contract with the Company for a term of three years commencing on 23 August 2015 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Prof. CAO Gang, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 24 September 2017 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Mr. GAO Yue, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 26 April 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Prof. GU Qiao, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 25 September 2017 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Mr. Daniel FOA, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 11 February 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Directors' Training and Professional Development

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct business activities and development of the Company. 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. All Directors are committed to comply with Code Provision A.6.5 of the CG Code on Directors' training for the year ended 31 March 2018.

During the year, the Company has provided the regulatory updates for the Directors prepared by Minter Ellison and the Company to develop and refresh their knowledge and professional skills through reading materials.

CORPORATE GOVERNANCE REPORT

The company secretary of the Company (the “Company Secretary”) maintains records of training attended by the Directors. The Directors participated in continuous professional development by reading materials on the following topics to develop and refresh their knowledge and skills during the year ended 31 March 2018:

Directors	Securities and Futures Commission “Enforcement Reporter”: Liabilities of Directors and Senior Executives of Listed Companies	Directors’ Duties: Valuation of Acquisition and Disposal Transactions
Executive Directors		
Mr. KAM Yuen (<i>Chairman</i>)	✓	✓
Mr. KONG Kam Yu	✓	✓
Mr. FENG Wen (re-designated as an Executive Director on 26 April 2018)	✓	✓
Non-Executive Director		
Ms. ZHENG Ting	✓	✓
Independent Non-Executive Directors		
Prof. CAO Gang	✓	✓
Mr. GAO Yue (re-designated as an Independent Non-Executive Director on 26 April 2018)	✓	✓
Prof. GU Qiao	✓	✓
Mr. Daniel FOA	✓	✓

Directors’ and Officers’ Liabilities Insurance

The Company has arranged appropriate insurance cover for liabilities in respect of legal actions against Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under Code Provision A.1.8 of the CG Code.

Chairman and Chief Executive

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

Mr. KAM Yuen (“Mr. Kam”) is the Chairman and Chief Executive 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, four 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.

CORPORATE GOVERNANCE REPORT

Mr. Kam has been both the Chairman and Chief Executive of the Company since the listing of the Company's shares on the GEM 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 4 times a year at approximately quarterly intervals. During the year ended 31 March 2018, 17 Board meetings were held.

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

Directors	Attendance/Number of Meetings				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors:					
Mr. KAM Yuen (<i>Chairman</i>)	17/17	N/A	N/A	N/A	1/1
Mr. KONG Kam Yu	17/17	N/A	N/A	N/A	1/1
Mr. FENG Wen (re-designated as an Executive Director on 26 April 2018) ^(Note 1)	17/17	2/2	3/3	1/1	1/1
Non-Executive Director:					
Ms. ZHENG Ting	17/17	N/A	N/A	N/A	1/1
Independent Non-Executive Directors:					
Prof. CAO Gang	17/17	2/2	3/3	1/1	1/1
Mr. GAO Yue (re-designated as an Independent Non-Executive Director on 26 April 2018) ^(Note 2)	17/17	N/A	N/A	N/A	1/1
Prof. GU Qiao	17/17	2/2	3/3	1/1	1/1
Mr. Daniel FOA	17/17	N/A	N/A	N/A	1/1

Notes:

1. Mr. FENG Wen ceased to act as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee with effect from 26 April 2018.
2. Mr. GAO Yue was appointed as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee in replacement of Mr. FENG Wen with effect from 26 April 2018.

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 Director may retain external 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 in respect of 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 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 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 Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (effective until 31 March 2012) (the "Former CG Code"). In compliance with the 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.



CORPORATE GOVERNANCE REPORT

Throughout the Reporting Period, the Audit Committee comprised three Independent Non-Executive Directors, namely, Prof. CAO Gang (Chairman), Mr. FENG Wen and Prof GU Qiao. With effect from 26 April 2018, Mr. FENG Wen ceased to be member of Audit Committee and Mr. GAO Yue was appointed as a member of the Audit Committee in replacement of Mr. FENG Wen.

The Audit Committee's primary duties include the followings:

- 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 control and risk management systems of the Group and to monitor the integrity thereof.

The Audit Committee held 2 meetings during the year. Through 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 2018 have been reviewed by the Audit Committee. During the year, the Audit Committee has also reviewed the risk management and internal control systems of the Company.

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 Mr. KONG Kam Yu, 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 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 Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (effective until 31 March 2012). 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 Former CG Code. In compliance with the 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.

Throughout the Reporting Period, the Remuneration Committee comprised three Independent Non-Executive Directors, namely, Mr. FENG Wen (Chairman), Prof. CAO Gang and Prof. GU Qiao. With effect from 26 April 2018, Mr. FENG Wen ceased to act as a member and the chairman of the Remuneration Committee and Mr. GAO Yue was appointed as a member and the chairman of the Remuneration Committee in replacement of Mr. FENG Wen.

The principal responsibilities of the Remuneration Committee include the followings:

- 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 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 3 meeting(s) 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 and reviewed the remuneration and compensation packages for certain Independent Non-Executive Directors.



CORPORATE GOVERNANCE REPORT

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31 March 2018 by band is set out below:

Remuneration band (HK\$)	Number of individuals
\$1 to \$1,000,000	2
\$1,000,001 to \$2,000,000	2
\$2,000,001 to \$3,000,000	—
\$3,000,001 to \$4,000,000	1
\$4,000,001 to \$7,000,000	—
\$7,000,001 to \$8,000,000	1
\$8,000,001 to \$9,000,000	1

Further details of the Directors' remuneration for the year ended 31 March 2018 are disclosed in note 9 to the financial statements contained in this annual report.

Nomination Committee

The Company established the Nomination Committee in March 2012 with written terms of reference for Nomination Committee in compliance with paragraph A.5.1 of the CG Code which has been posted on the respective websites of the Company and the Stock Exchange.

Throughout the Reporting Period, the Nomination Committee comprised three Independent Non-Executive Directors, namely, Mr. FENG Wen (Chairman), Prof. CAO Gang and Prof. GU Qiao. With effect from 26 April 2018, Mr. FENG Wen has ceased to act as a member and the chairman of the Nomination Committee and Mr. GAO Yue has been appointed as a member and the chairman of Nomination Committee in replacement of Mr. FENG Wen.

The principal responsibilities of the Nomination Committee include the followings:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of Independent Non-Executive Directors;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executive;

- to review the Board Diversity Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report annually;
- to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and
- to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Articles of Association or imposed by legislation.

Meetings of the Nomination Committee are held at least once a year and additional meetings may be held as required. During the year, the Nomination Committee held 1 meeting and has made recommendations to the Board regarding the re-appointment of Directors and reviewed the Board Diversity Policy.

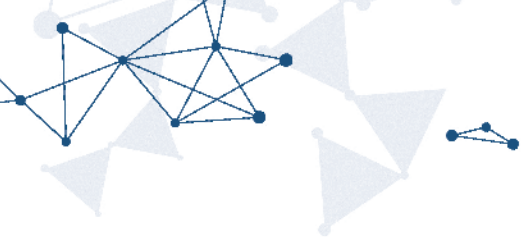
Risk Management and Internal Controls

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has overall responsibility for overseeing the Group's risk management and internal controls systems and through the Audit Committee, conducts reviews on their effectiveness on an ongoing basis, 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.

The Company has adopted risk management policy and procedures (the "Risk Management Policy") for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices.



CORPORATE GOVERNANCE REPORT

Group Risk Management

The Company has established the enterprise risk management framework. The Board is responsible for ensuring that the Company has an adequate and effective risk management system, while the management has the responsibility to operate and implement the Risk Management Policy to the Group. Through the risk assessment and control process, risks are identified, assessed, prioritised and assigned treatment methods. The Board and management allocate tasks and resources to achieve the recommended risk control processes as required. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Principal Risks

The principal risks and uncertainties are set out in the section headed “Business Review”. Such discussion forms a part of Report of Directors.

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 function 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 independent professional consultancy firm — Baker Tilly Hong Kong Risk Assurance Limited (“Baker Tilly”) to conduct an internal control review. During the year, based upon the results of the internal control review which were submitted to the Audit Committee for consideration, the Board and the Audit Committee are satisfied that the Group’s systems of risk management and internal controls, including financial, operational, compliance, and risk management functions, are adequate and effective.

Risk Governance

The Group’s risk governance structure is based on a “Three Lines of Defence” model, with operational management and internal controls performed by the Board and the management, coupled with risk management monitoring carried out by the finance department and independent internal audit outsourced to and conducted by Baker Tilly.

The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management’s actions taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. The results of these reviews are recorded in the risk registers for analysis of potential strategic implications and for regular reporting to the management and Directors of the Company.

The risk assessment and control systems will be evaluated by the Board and management at least annually or earlier if significant changes occur that introduce new risks or significantly alter the level of current risks. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

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

Inside Information

The Company formulated internal procedures and controls for the handling and dissemination of inside information, and further improved the information disclosure system of the Company to ensure that the Company's information is disclosed to the public on a true, accurate, complete and timely basis. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the Securities and Futures Ordinance (the "SFO"). The Group ensures the information is kept strictly confidential before the information is fully disclosed to the public. The Group is committed to ensure that information disclosed are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, where the Company operates so as to comply with relevant requirements under the SFO and Listing Rules from time to time.

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 ("the Model Code") 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 2018.

Company Secretary

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2018. The biography of the Company Secretary is set out on page 42 of this annual report.

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 2018, 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.



CORPORATE GOVERNANCE REPORT

KPMG, the external auditors of the Company, acknowledge their responsibilities for the audit of the consolidated financial statements of the Company for the year ended 31 March 2018 in the Independent Auditor's Report included in this annual report.

For the year ended 31 March 2018, the fees payable to the external auditors for audit services were HK\$12,091,000 and the fees paid for other services were HK\$5,891,000.

Shareholders' Rights

Procedures for convening of an extraordinary general meeting ("EGM") and putting forward proposals at shareholders' meeting

Pursuant to Article 64 of the Articles of Association, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionist(s)") may, by written requisition (the "Requisition") to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in the Requisition. The Requisition shall be deposited at the head office of the Company in Hong Kong (48/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong). The EGM shall be held within two months after the deposit of the Requisition. In the event that the Board fails to proceed to convene the EGM within 21 days of the deposit of the Requisition, the Requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Putting enquiries to the Board

Shareholders may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by mail to the Company's principal place of business in Hong Kong at 48/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

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 and corporate brochures. During the year, the Chairman of the Board, other members of the Board and external auditors attended the annual general meeting and answer questions raised by the shareholders on the performance of the Group. Shareholders are encouraged to attend the general meetings of the Company, which offer a valuable forum for dialogues and interactions between the Chairman, the senior management and the shareholders.



CORPORATE GOVERNANCE REPORT

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.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. KAM Yuen (甘源), aged 56, is the Chairman, Chief Executive and Compliance Officer of the Company, and the founder of the Group. Mr. Kam is a director of several subsidiaries of the Company. Previously he was also the chairman of Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) (“GCBC”) and the non-executive director of Life Corporation Limited, formerly known as Cordlife Limited. He is responsible for the Group’s overall strategic planning. Mr. Kam graduated from the Beijing Second Foreign Languages Institute, the People’s Republic of China (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., and a director of Magnum Opus 3 International Holdings Limited, both companies have an interest in the share capital of the Company as disclosed under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. KONG Kam Yu (江金裕), aged 49, has been an Executive Director of the Company since September 2012. He is also the Qualified Accountant and Company Secretary of the Company and a director of several subsidiaries of the Company. Mr. Kong is also a non-executive chairman of Life Corporation Limited. 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. FENG Wen (馮文), aged 50, is an Executive Director of the Company. Mr. Feng was re-designated from an Independent Non-Executive Director to an Executive Director and ceased to act as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee with effect from 26 April 2018. He joined the Group in September 2012. Mr. Feng graduated from the Medical Department of the Third Military Medical University in 1992 and obtained a master’s degree from the School of Public Administration, Renmin University of China (中國人民大學) in 2006. Mr. Feng is currently the chairman of the board of Zhong He Hou De Investment Management Co., Ltd* (中和厚德投資管理有限公司) and an independent director of Beijing ConST Instruments Technology Inc.* (北京康斯特儀表科技股份有限公司). He was previously an independent director of Beijing Boer Communication Technology Co., Ltd. (北京玻爾通信技術股份有限公司), a chief executive officer of National Investments Fund Limited, a company listed on the Stock Exchange, and the secretary to the board of directors of China Investment Development Co., Ltd. (中投發展有限責任公司). Mr. Feng had worked for the General Office of the Ministry of Health of the PRC and a number of military hospitals for over 20 years.

Non-Executive Director

Ms. ZHENG Ting (鄭汀), aged 46, is a Non-Executive Director of the Company and a director of several subsidiaries of the Company. She is an advisor on healthcare services segment of the Group. Ms. Zheng is also the chief executive officer of GCBC 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.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



Independent Non-Executive Directors

Prof. CAO Gang (曹岡), aged 74, 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 senior member of the Association of the Registered Accountants of the PRC.

Mr. GAO Yue (高悅), aged 45, is an Independent Non-Executive Director of the Company. Mr. Gao was re-designated from a Non-Executive Director to an Independent Non-Executive Director and appointed as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee with effect from 26 April 2018. Mr. Gao graduated from the Law School of Renmin University of China (中國人民大學) in 1996 and was admitted to the Chinese bar in 1998. Thereafter, Mr. Gao worked as an attorney-at-law and a partner in Beijing Xinli Law Firm and Beijing Fu Sheng Law Firm respectively. From August 2004 to April 2012, he practised law as a partner in King & Wood PRC Lawyers. Mr. Gao joined the Group in November 2014. From May 2012 to July 2016, Mr. Gao worked as a partner of Commerce and Finance Law Offices. From July 2016 onwards, he has been served as a partner of 北京安生律師事務所 (formerly known as Beijing L&L Law Firm).

Prof. GU Qiao (顧樵), aged 71, 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). Prof. Gu is also a member of the International Institute of Biophysics, Germany. Prof. Gu received his doctoral degree from the Northwest University, the PRC (中國西北大學), in 1989.

Mr. Daniel FOA, aged 41, is an Independent Non-Executive Director. He joined the Group in February 2015. Mr. Foa graduated in Economics from University of Portsmouth in 1997. Mr. Foa is the co-founder of Fairklima Capital and has over 20 years of experience in the China market with expertise in the fields of technology, sustainability and business consulting. Before founding Fairklima Capital, Mr. Foa held managerial positions in major multinational firms. He is also the co-founder of 51Give, an online donations platform.

SENIOR MANAGEMENT

Mr. HUANG Fan (黃帆), aged 44, is chief executive officer of the medical devices operation. He joined the Group in 2004 and has been responsible for the research and development, production, sales and management of the business. Mr. Huang has been engaged in the securities industry for many years and has extensive experience in business management. Prior to joining the Group, he has participated in the preliminary preparatory works of state-owned comprehensive securities company. Mr. Huang graduated from the Beijing Institute of Technology (北京理工大學管理學院), majoring in management.

* The English name is for identification purpose only.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. GAO Guang Pu (高光譜), aged 55, 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. Mr. Gao 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 Beijing Second Foreign Language Institute (北京第二外國語學院).

Mr. SHAO Bao Ping (邵寶平), aged 52, chief executive officer of the Chinese herbal medicines operation, is in charge of the Chinese herbal medicines 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 (中國科學院上海藥物研究所) 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 69, is the chief executive officer of GM-Medicare Management (China) Company Limited. He joined the Group in April 2010, and has specialised in the medical and medical insurance management industry since 1998. 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 chief operating officer 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 (鄭州航空學院) and a Bachelor's degree in Economics from Fudan University, Shanghai (上海復旦大學).

Mr. JING Jian Zhong (經建中), aged 64, 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.

REPORT OF THE DIRECTORS

The directors (the “Directors”) of Golden Meditech Holdings Limited (the “Company” and together with its subsidiaries, collectively referred to as the “Group”) submitted herewith the Directors’ report together with the audited financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL PLACE OF BUSINESS

The Company was 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 15 to the financial statements.

An analysis of the Group’s revenue, profit/(loss), assets and liabilities by operating segments is set out in note 4 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	4%	
Five largest customers in aggregate	6%	
The largest supplier		9%
Five largest suppliers in aggregate		18%

At no time during the year have the Directors, their close 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 results and cash flow of the Group for the year ended 31 March 2018 and the state of the Group’s financial position as at that date are set out in the financial statements on pages 94 to 102 of this annual report.



REPORT OF THE DIRECTORS

BUSINESS REVIEW

(a) Business Performance and Future Developments

The Group's business performance, analysis of major financial performance indicators and discussion on future developments are set out in the section headed "Management Discussion and Analysis". Such discussion forms a part of this annual report.

(b) Principal Risks and Uncertainties

The Group has identified the principal risks and uncertainties in the industries in which the Group operates. These risks and uncertainties may affect the performance and operations of the Group. The key risks include but not limited to:

1. Healthcare reforms

China's healthcare system is undergoing a critical reform period, whereby laws, regulations and policies governing the medical device and healthcare service industries are constantly changing. Likewise, the regulatory authorities in China may adjust their enforcement practices from time to time. Consequently, actions which have been executed in the past may not be indicative of future actions. These changes may have material adverse effect on the Group, in terms of incurring significant costs, and diverting the resources and attention of the management. Furthermore, such changes may also be applicable with retrospective effect, thus increasing the uncertainties and risks faced by the Group's businesses and operations. The Group monitors closely the changes in healthcare reforms and will adjust its business strategies when necessary.

2. Brand and Reputation

The Group's image may be adversely affected by negative publicity as physicians or other medical staff working in the Group may from time to time be subject to complaints, allegations or legal actions regarding the medical disputes. Failure to maintain and enhance its reputation may harm the business, results of operations and financial condition of the Group. The Group has developed a set of standard operation procedures at each of the medical institution so as to minimise the chance of medical negligence.

3. Reliance on Talents

Each and every day the Group's professional team play a leading role in helping its customers access high quality healthcare services and stable doctor-patient relationship. If the Group is unable to attract and retain a sufficient number of qualified physicians, management staff and other hospital personnel, its hospital operations could be materially and adversely affected. The professional team is one of the Group's valuable resources and the Group attracts quality new talents to join the professional team through its reputation, competitive compensation package, safe working environment and attractive career advancement.

BUSINESS REVIEW (continued)

(b) Principal Risks and Uncertainties (continued)

4. *Regional economies*

The hospital management business operated by the Group is affected by regional economic factors. Currently, the Group only operates hospital management business in Beijing and Shanghai regions, as a result, the geographical regions of its business are relatively concentrated. Therefore, the revenue will be affected by factors such as the changes in patient preferences, disposable income level and local economic conditions. Responding to fast-changing regional economy, the Group actively looks for diversification opportunities in other regions as part of its risk mitigation strategy.

5. *Cooperation relationships with third parties*

The Group establishes certain long-term cooperation relationships with third parties, such as people's hospitals and scientific research institutions, which enable it to enhance the quality of its healthcare services, strengthen its reputation, and grow its business. If the Group fails to maintain cooperation arrangements with these third parties when they expire or if these parties form relationships with its competitors, the Group's business, reputation and results of operations may be adversely affected. Regular communication and consultation with these stakeholders are in place to ensure the Group maintains good relationship with them.

6. *Market competition*

Competition in the medical device industry in which the Group operates has been intensifying. If competition further intensifies, prices will fall as a result, and the market share and gross profit margin of the Group's medical device business will be affected. The Group monitors and analyses the competition situation and market information to estimate adverse changes in advance and adopts corresponding measures. The Group takes appropriate measures to enhance its branding and maintains steady development of the business. In addition, the Group continues to improve product quality and increase product competitiveness by reducing production costs.

7. *Preferential tax treatment*

The subsidiary of the Group, namely Beijing Jingjing Medical Equipment Co., Ltd. (北京京精醫療設備有限公司) ("Jingjing"), is a High and New Technology Enterprise ("HNTE") enjoying a preferential tax rate of 15% which is lower than the standard tax rate of 25%. The preferential tax treatments attributable to its HNTE qualification will expire in the calendar year 2019.

(c) Key relationship with employees, customers and suppliers

The Group's key relationship with employees, customers and suppliers are set out in the sections headed "Employee Care" and "Operation Management". Such discussion forms a part of the "Environmental, Social and Governance Report".

(d) Environmental protection policy and performance

The Group's environmental protection policy and performance are set out in the section headed "Environmental Protection". Such discussion forms a part of the "Environmental, Social and Governance Report".



REPORT OF THE DIRECTORS

BUSINESS REVIEW (continued)

(e) Compliance with laws and regulations

The Group and its activities are subject to requirements under various laws which are set out in the sections headed “Environmental Protection”, “Employee Care” and “Operation Management”. Such discussion forms a part of the “Environmental, Social and Governance Report”. On the listed company level, the Group is also subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated. The Company seeks to ensure compliance with these requirements through various measures such as internal controls, trainings and oversight of various business units at different levels of the Group. The Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements. To the best of Directors’ knowledge, information and belief, the Group has complied with the relevant laws and regulations which have major impact on the operations of the Group.

RESERVES AND DIVIDENDS

Profit attributable to equity shareholders of the Company of HK\$3,399,149,000 (2017: loss of HK\$147,121,000) has 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 99 to 100 of this annual report.

As at 31 March 2018, the Company’s reserves available for distribution amounted to HK\$2,502,560,000 (2017: HK\$3,688,703,000).

On 13 February 2018, the board of Directors (the “Board”) had resolved to declare a special dividend (the “Special Dividend”) of HK\$0.30 per ordinary share of HK\$0.20 each in the share capital of the Company (the “Share”). The Special Dividend had been paid in cash on 26 March 2018 to the shareholders of the Company whose names appeared on the register of members of the Company on 13 March 2018.

Details of dividends paid during the year are set out in note 31(d) to the financial statements.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of the year ended 31 March 2018 (2017: HK\$nil per Share). The Board will take into account the Group’s future capital needs when considering possible dividend payment in the future.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$10,000 (2017: HK\$nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 13 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 31(b) to the financial statements.

VOLUNTARY DELISTING OF TAIWAN DEPOSITORY RECEIPTS OF THE COMPANY (THE “TDR”) ON TAIWAN STOCK EXCHANGE CORPORATION (“TWSE”)

On 30 October 2017, the Board approved (i) the proposal on the voluntary delisting of the TDR on TWSE, (ii) the repurchase of the TDR which are outstanding immediately after the end of the trading session on the last trading day of TDR dealing on TWSE (the “Outstanding TDR”) by the Company and (iii) the offer to subsidise the holders of TDR the conversion expenses during the conversion offer period.

As disclosed in the Company’s announcement dated 22 November 2017, the voluntary delisting application had been approved by TWSE and the voluntary delisting became effective on 13 December 2017.

The repurchase period of TDR ended on 31 January 2018. As at the end of the repurchase period, the valid repurchase applications representing 49,207,566 Outstanding TDR were received by the depository agent. Accordingly, the Company repurchased 49,207,566 Outstanding TDR at an aggregate repurchase price of TWD218,974,000 (approximately HK\$58,859,000).

Details of the delisting of TDR on TWSE are set out in the Company’s announcements dated 30 October 2017, 22 November 2017 and 1 February 2018.

VOLUNTARY CASH OFFERS

The voluntary conditional cash offer made by China Minsheng Banking Corp., Ltd. (“China Minsheng Bank”) for and on behalf of Magnum Opus 3 International Holdings Limited (“Magnum 3”) to acquire all of the issued shares, all outstanding convertible notes and to cancel all outstanding share options of the Company (other than those already owned or agreed to be acquired by Magnum 3 and its concert parties) (the “Voluntary Cash Offers”) was closed on 10 April 2017, and Magnum 3 received valid acceptances in respect of (i) 968,774,034 Shares; and (ii) 12,239,669 share options. Magnum 3 did not receive any valid acceptance in respect of the convertible notes. As a result, Magnum 3 and parties acting in concert with it were interested in an aggregate of 2,087,043,560 Shares, representing approximately 70.36% of the then issued share capital of the Company.

For details, please refer to the joint announcements dated 13 January 2017, 3 February 2017, 24 February 2017, 15 March 2017 and 10 April 2017 and the composite document dated 10 March 2017 issued by the Company and Magnum 3.



REPORT OF THE DIRECTORS

REDEMPTION OF CONVERTIBLE NOTES ISSUED BY THE COMPANY

On 13 November 2017, the Company redeemed the 5% redeemable convertible notes due November 2017 in an aggregate principal amount of US\$20,000,000 (the “Convertible Notes”) by paying the total amount of US\$25,226,000, being the aggregate principal amount of the Convertible Notes outstanding plus a premium representing an internal rate of return of 12% per annum on the principal amount of the Convertible Notes together with all accrued and outstanding interest, payment and fee, if any, as of the maturity date of the Convertible Notes. Following the said redemption, the Convertible Notes were cancelled.

Details of the said redemption is set out in the note 29(a) to the financial statements.

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

During the year ended 31 March 2018, 49,207,566 TDRs representing 49,207,566 Shares had been repurchased by the Company pursuant to the repurchase obligation required under the relevant rules and regulations of the TWSE in relation to the voluntary delisting of the TDRs on TWSE. Those underlying Shares represented by such TDRs had been cancelled on 27 March 2018. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 March 2018.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company (the “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 and up to the date of this report were:

Executive Directors

Mr. KAM Yuen (*Chairman*)

Mr. KONG Kam Yu

Mr. FENG Wen (re-designated as an Executive Director on 26 April 2018)

Non-Executive Director

Ms. ZHENG Ting

Independent Non-Executive Directors

Prof. CAO Gang

Mr. GAO Yue (re-designated as an Independent Non-Executive Director on 26 April 2018)

Prof. GU Qiao

Mr. Daniel FOA

In accordance with Article 108 of the Articles of Association, Mr. KONG Kam Yu, Mr. FENG Wen and Prof. GU Qiao shall retire by rotation at the forthcoming annual general meeting to be held on 26 September 2018 (the "2018 AGM"), and being eligible, offer themselves for re-election.

The biographical details of the current Directors and senior management are set out on pages 42 to 44 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.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Mr. KAM Yuen, an Executive Director, entered into a service contract with the Company commencing on 1 April 2005 as an Executive Director and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Mr. KONG Kam Yu, an Executive Director, entered into a service contract with the Company commencing on 25 September 2012 as an Executive Director and will continue thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Mr. FENG Wen, an Executive Director, entered into a service contract with the Company commencing on 26 April 2018 as an Executive Director and will continue thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Non-Executive Director

Ms. ZHENG Ting entered into a service contract as a Non-Executive Director with the Company for a term of three years commencing on 23 August 2015 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Independent Non-Executive Directors

Prof. CAO Gang, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 24 September 2017 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Mr. GAO Yue entered into a service contract as a Independent Non-Executive Director with the Company for a term of one year commencing on 26 April 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Prof. GU Qiao, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 25 September 2017 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Mr. Daniel FOA, an Independent Non-executive Director, entered into a service contract with the Company for a term of one year commencing on 11 February 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

None of the Directors being proposed for re-election at the 2018 AGM 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, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 March 2018, 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") of 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:

Long positions in Shares of the Company:

Name of Directors	Capacity and nature of interests	Number of Shares	Number of underlying Shares held under equity derivatives	Total interests	Approximate percentage of the Company's issued share capital
Mr. KAM Yuen ("Mr. Kam")	Founder of trusts	1,144,853,526 ⁽¹⁾	—	1,144,853,526	39.25%
	Interest of controlled corporation	968,774,034 ⁽²⁾	—	968,774,034	33.21%
Mr. KONG Kam Yu	Beneficial owner	240	—	240	0.0000082%

Notes:

- (1) Mr. Kam was deemed under the SFO to have an interest in 1,144,853,526 Shares which Bio Garden Inc. ("Bio Garden") was interested in as at 31 March 2018 (the "Bio Garden Shares") by virtue of him being the founder of certain discretionary trusts which owned the entire issued share capital of Bio Garden.
- (2) Mr. Kam was deemed under the SFO to have an interest in 968,774,034 Shares which Magnum 3 was interested in as at 31 March 2018 by virtue of him owning 100% voting ordinary shares of Magnum 3.

Save as disclosed above, as at 31 March 2018, 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, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES

Share option schemes of the Company

The principal terms of the share option scheme of the Company adopted on 30 March 2005 (the “Previous Share Option Scheme”) are summarised in note 32(a) to the financial statements. The Previous Share Option Scheme has been terminated. 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 Previous Share Option Scheme.

On 13 January 2017, on behalf of the Magnum 3, China Minsheng Bank made the Voluntary Cash Offers. Pursuant to the terms of the Previous Share Option Scheme, if a general offer is made to all the shareholders and such offer becomes or is declared to be unconditional during the option period, the independent option holders shall be entitled to exercise the share options to the full extent at any time thereafter and up to the close of such offer. All unexercised share options shall lapse upon to the close of such offer.

The Voluntary Cash Offers was closed on 10 April 2017 and all the share options have been cancelled/lapsed.

A summary of share options granted under the Previous Share Option Scheme 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 2017	Number of underlying Shares in respect of which share options were lapsed under the Voluntary Cash Offers during the year ended 31 March 2018	Numbers of underlying Shares in respect of which share options were exercised during the year ended 31 March 2018	Number of underlying Shares in respect of which share options were outstanding as at 31 March 2018	Adjusted exercise price HK\$
Mr. Kam	27 April 2009 ^(Note)	2,197,530	(2,197,530)	—	—	1.989
Full-time employees (other than Directors)	27 April 2009 ^(Note)	11,778,759	(11,778,759)	—	—	1.989
		13,976,289	(13,976,289)	—	—	

SHARE OPTION SCHEMES (continued)

Share option schemes of the Company (continued)

Note: The share options are exercisable as to the followings:

- (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.

Save as disclosed above, no share options granted under the Previous Share Option Schemes were exercised, cancelled or lapsed during the year ended 31 March 2018.

On 27 September 2017 (the “Adoption Date”), the shareholders of the Company approved the adoption of a new share option scheme (the “2017 Share Option Scheme”) to enable the Company to grant share options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the development and the growth of the Group. The 2017 Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date. As at the date of this report, no share options were granted under the 2017 Share Option Scheme.

The major terms of the 2017 Share Option Scheme are as follows:

1. The purpose of the 2017 Share Option Scheme is to recognise and acknowledge the contributions of the eligible participants to the Group by granting options to them as incentives or rewards.
2. The eligible participants of the 2017 Share Option Scheme are:
 - (a) any employee (whether full-time or part-time) or director (including executive director, non-executive director and independent non-executive director) of any member of the Group or any entity in which any member of the Group holds any equity interest (the “Invested Entity”);
 - (b) any advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services, business or joint-venture partner of any member of the Group or any Invested Entity whom the Board in its sole discretion considers eligible for the 2017 Share Option Scheme on the basis of his or her contribution to the Group or the Invested Entity (as the case may be); and
 - (c) any person whom the Board in its sole discretion considers has contributed or will contribute to the Group or to the Invested Entity (as the case may be).



REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (continued)

Share option schemes of the Company (continued)

3. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2017 Share Option Scheme and any other schemes of the Company at any time must not exceed 30% of the Shares in issue from time to time. Subject to the aforesaid limit, the maximum number of Shares in respect of which options may be granted under the 2017 Share Option Scheme and under any other schemes of the Group must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date. The total number of Shares available for issue under the 2017 Share Option Scheme was 296,613,970 Shares, representing approximately 10.17% of the issued Shares as at the date of this report.
4. The total number of Shares issued and which fall to be issued upon exercise of the options granted under the 2017 Share Option Scheme and other schemes (including both exercised and outstanding options) to each eligible participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of the Shares in issue as at the date of grant of the options.

In addition, the number of Shares in respect of which options may be granted to any eligible participant (who is a substantial shareholder or an Independent Non-Executive Director of the Company, or any of their respective associates (within the meaning as ascribed under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of Shares in issue and HK\$5,000,000 in an aggregate value, based on the closing price of the Shares at the date of each grant, unless approved by the shareholders of the Company.

5. The exercise period of any option granted under the 2017 Share Option Scheme must not be more than 10 years from the date of grant.
6. HK\$1.00 is payable by an eligible participant on acceptance of an offer of the grant of an option (the "Offer").
7. The exercise price shall be determined by the Board and shall be at least the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and (iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer.
8. Subject to earlier termination by the Company in a general meeting, the 2017 Share Option Scheme shall be valid and effective for a period commencing from the Adoption Date and expiring at 5:00 p.m. on the business day preceding the tenth anniversary of such date.
9. The Board may at its discretion, when making an Offer, impose any conditions, restrictions or limitations in relation thereto as it may think fit, including but not limited to the achievement of any performance target and/or any minimum period for which an option must be held before it can be exercised. Subject to the aforesaid, an eligible participant to whom any option is granted is not required to achieve any performance target before an option can be exercised.

DIRECTORS' RIGHTS 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 2018, the interests and short positions of the shareholders (not being Directors or chief executives of the Company) in the Shares and underlying Shares 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 interests	Number of issued Shares/underlying Shares	Approximate percentage of the Company's issued share capital
Bio Garden ⁽¹⁾	Beneficial owner	1,144,853,526 ⁽⁴⁾	39.25%
Magic Master Holdings Limited ("Magic Master") ⁽²⁾	Interest of controlled corporation	1,144,853,526 ⁽⁴⁾	39.25%
Magic Glory Holdings Limited ("Magic Glory") ⁽²⁾	Interest of controlled corporation	1,144,853,526 ⁽⁴⁾	39.25%
Credit Suisse Trust Limited ⁽²⁾	Trustee	1,144,853,526 ⁽⁴⁾	39.25%
Fiducia Suisse SA (Formerly known as "KF Suisse SA") ⁽³⁾	Trustee	1,144,853,526 ⁽⁴⁾	39.25%
Mr. David Henry Christopher Hill ⁽³⁾	Interest of controlled corporation	1,144,853,526 ⁽⁴⁾	39.25%
Mrs. Rebecca Ann Hill ⁽³⁾	Interest of spouse	1,144,853,526 ⁽⁴⁾	39.25%
Magnum 3 ⁽⁵⁾	Beneficial owner	968,774,034	33.21%

REPORT OF THE DIRECTORS

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

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

Name of other persons who held more than 5% interest	Capacity and nature of interests	Number of issued Shares/underlying Shares	Approximate percentage of the Company's issued share capital
Ms. Liu Yang ⁽⁶⁾	Interest of controlled corporation	287,002,529	9.84%
Atlantis Capital Holdings Limited ⁽⁶⁾	Interest of controlled corporation	287,002,529	9.84%
Atlantis Investment Management (Hong Kong) Limited ("Atlantis") ⁽⁶⁾	Beneficial owner	287,002,529	9.84%
Riverwood Asset Management (Cayman) Ltd. ("Riverwood") ⁽⁶⁾	Investment manager	202,000,325	6.93%

Notes:

- (1) Bio Garden is an investment holding company incorporated in the British Virgin Islands ("BVI"). It was wholly-owned by certain discretionary trusts of which Mr. Kam, the Chairman and an executive Director of the Company, was the founder. Mr. Kam is also the sole director of Bio Garden.
- (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 was interested in the Bio Garden Shares. Gold Rich and Gold View were wholly-owned by Magic Master and Magic Glory, respectively. Each of Magic Master and Magic Glory was indirectly wholly-owned by Credit Suisse Trust Limited as trustee of certain discretionary trusts referred to in (1) above. Accordingly, each of Magic Master, Magic Glory and Credit Suisse Trust Limited was deemed, under the SFO, to have an interest in the Bio Garden Shares.
- (3) The corporate substantial shareholder notice filed by Fiducia Suisse SA indicated that it had a 64% interest in Bio Garden. 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 Bio Garden Shares. 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 Bio Garden Shares which Fiducia Suisse SA was interested in.
- (4) These interests represent the same block of Shares of the Company.
- (5) Magnum 3 is an investment holding company incorporated in BVI, which (i) is 100% owned as to its voting ordinary shares by Mr. Kam and (ii) has issued non-voting convertible and non-convertible preferred shares to Qin Wall Investment Holdings Limited. Mr. Kam is also one of the directors of Magnum 3.
- (6) Atlantis is a limited liability company incorporated in Hong Kong, which was wholly-owned by Atlantis Capital Holdings Limited. Ms. Liu Yang has 100% indirect interest in Atlantis Capital Holdings Limited and she is a controller who held a 100% direct interest in Riverwood.

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

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

Save as disclosed above, as at 31 March 2018, the Directors had not been notified by any persons (other than the Directors or chief executives of the Company), who had an interest or short position in the Shares or underlying Shares which would have to be 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.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 36 to the financial statements, no transactions, arrangements or contracts of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTEREST-BEARING AND OTHER BORROWINGS

Particulars of interest-bearing and other borrowings of the Group as at 31 March 2018 are set out in notes 26, 27 and 29 to the financial statements.

DIRECTORS' RETIREMENT BENEFITS SCHEME

Details of the directors' retirement benefits scheme adopted by the Company are set out in note 9 to the financial statements.

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in note 35 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 217 and 218 of this annual report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 25 to 41 of this annual report.



REPORT OF THE DIRECTORS

COMPETITION AND CONFLICT OF INTERESTS

During the year and up to the date of this report, none of the Directors 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.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty. The Company has also maintained appropriate directors and officers liability insurance coverage for the directors and officers of the Group during the year.

CONNECTED TRANSACTIONS

(i) Financing arrangement with subsidiary of Life Corporation Limited (“LFC”) with personal guarantee of Mr. KONG Kam Yu, an Executive Director

Details of the financing arrangement and personal guarantee are set out in note 36 to the financial statements.

(ii) Acquisition of 50% equity interest in ASA

On 11 December 2017, Golden Meditech K.K. or 株式會社金衛 (“GM K.K.”), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (“Share Transfer Agreement”) with Magnum Opus International Holdings Limited (“Magnum Opus”) and ASA Global Inc. (the “Vendor”) pursuant to which (i) GM K.K. conditionally agreed to acquire 50% of the equity interest in ASA Asset Management Co., Ltd. (“ASA”) from the Vendor, at a cash consideration of JPY425 million (equivalent to approximately HK\$29,219,000 at the agreement date) (the “Acquisition”); and (ii) Magnum Opus conditionally agreed to acquire 50% of the equity interest in ASA from the Vendor, at a cash consideration of JPY425 million (equivalent to approximately HK\$29,219,000 at the agreement date). Upon completion, GM K.K. and Magnum Opus will each own 50% of the equity interest in ASA.

Magnum Opus is a wholly-owned company of Mr. Kam who, being a Director and controlling shareholder of the Company, is regarded as a controller of the Company under Chapter 14A of the Listing Rules. Upon completion, Magnum Opus, an associate of the controller of the Company, will become a substantial shareholder of ASA. In accordance with Rule 14A.28(1) of the Listing Rules, the Acquisition constituted a connected transaction of the Company.

The completion of the Acquisition took place on 28 February 2018 in accordance with the terms and conditions of the Share Transfer Agreement.

Further details of the Share Transfer Agreement are set out in the Company’s announcements dated 11 December 2017 and 28 February 2018.

(iii) Financing arrangement with subsidiary of Golden Meditech Javadi Precision Medicine Limited

Details of the financing arrangement are set out in note 36 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 March 2018 are set out in note 36 to the financial statements. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions under the Listing Rules, namely the transaction under the Share Transfer Agreement (which is subject to reporting and announcement requirements). Save for the aforementioned, other related party transactions as set out in note 36 to the financial statements did not constitute non-exempt connected transactions/continuing connected transactions under the Listing Rules.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

The change in the information of the Directors and chief executives required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of Change
Mr. KAM Yuen	Resigned as a director and chairman of Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) ("GCBC") on 30 January 2018.
Mr. FENG Wen	Resigned as a chief executive officer of National Investments Fund Limited on 26 March 2018. Re-designated from Independent Non-Executive Director to Executive Director and ceased to act as a member and the chairman of the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") and a member of the audit committee (the "Audit Committee") of the Company with effect from 26 April 2018. Mr. Feng Wen entered into a service contract with the Company commencing on 26 April 2018 and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing. Pursuant to Mr. Feng Wen's service contract, he is entitled to an annual remuneration of HK\$1,300,000 and an annual discretionary bonus of such amount as determined at the sole discretion of the Board. Resigned as an independent director of Beijing Boer Communication Technology Co., Ltd. (北京玻爾通信技術股份有限公司) on 30 May 2018.
Mr. GAO Yue	Re-designated from Non-Executive Director to Independent Non-Executive Director and appointed as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee with effect from 26 April 2018. Mr. Gao Yue entered into a service contract with the Company for a term of one year commencing from 26 April 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing. Pursuant to Mr. Gao Yue's service contract, he is entitled to an annual director's fee of HK\$60,000 and an annual discretionary bonus of such amount as determined at the sole discretion of the Board.



REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, namely Prof. CAO Gang, Prof. GU Qiao and Mr. Daniel FOA an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Although Prof. Cao and Prof. Gu have served as Independent Non-Executive Director for more than nine years, the Directors are of the opinion that Prof. Cao 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.

With effect from 26 April 2018, Mr. FENG Wen has been re-designated from an Independent Non-Executive Director to an Executive Director and Mr. GAO Yue has been re-designated from a Non-Executive Director to an Independent Non-Executive Director. Mr. FENG Wen has also ceased to act as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee. Mr. GAO Yue has been appointed as a member and the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee in replacement of Mr. FENG Wen.

During Mr. Gao Yue's tenure as a Non-Executive Director, he did not have any executive or management role or functions in the Company and the Group. Mr. Gao has never been involved in the day-to-day operation of the Company and the Group, he only attended meetings of the Board in his capacity as a Non-Executive Director throughout his tenure. The Board considers that the designation of Independent Non-executive Director better described the role and involvement of Mr. Gao in the Board.

Notwithstanding his position as a Non-Executive Director prior to his re-designation, the Board considers that Mr. Gao is independent and has satisfied the criteria for independence set out in the Company's Corporate Governance Policy and Rule 3.13 of the Listing Rules, save and except for one criterion as he has been a Non-executive Director until 25 April 2018.

Mr. Gao has provided a confirmation of his independence to the Company. Besides, the Company has conducted due diligence on the background of Mr. Gao. The Board is of the view that Mr. Gao possesses all the characteristics to act as an Independent Non-executive Director and will be able to carry out his duties impartially and independently. The Board also trusts that Mr. Gao, being an experienced practicing lawyer of recognised good standing, possesses the requisite integrity to maintain independence in fulfilling the role of an independent Non-Executive Director effectively.

Save as disclosed above in respect of Mr. GAO Yue, the Company considers that all Independent Non-Executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

OTHER TRANSACTIONS

(i) Redemption of the Convertible Notes

Details of the Group's redemption of the Convertible Notes are set out in the section headed "Redemption of Convertible Notes issued by the Company" on page 50 of this report.

OTHER TRANSACTIONS (continued)

(ii) Termination of Going Private

On 27 April 2015, the Company had issued a non-binding proposal letter to the board of directors of GCBC to acquire all the ordinary shares of GCBC which are not already directly or indirectly owned by the Company at an offer price of US\$6.40 in cash per share for each outstanding ordinary share of GCBC.

On 13 April 2017, the Company received a letter from GCBC and was informed that in view of the development regarding the Company's beneficial ownership in GCBC, including but not limited to the Disposal (as defined in paragraph (iii) below), the future plans of the Purchaser (as defined in paragraph (iii) below) regarding GCBC after the Disposal is completed and the overall viability of the Going Private (as defined in the circular of the Company dated 6 March 2017), the board of directors of GCBC has resolved to terminate any further evaluation of or negotiation regarding the Going Private. As such, the Company will not continue to pursue the Going Private.

Further details of the termination of Going Private are set out in the Company's announcement dated 13 April 2017.

(iii) Disposal of 65.4% of the enlarged issued capital of GCBC

On 30 December 2016, Golden Meditech Stem Cells (BVI) Company Limited ("GMSC", as vendor), the Company (as guarantor) and 南京盈鵬蕙康醫療產業投資合夥企業（有限合夥）(Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (Limited Partnership)*) (the "Purchaser") (as purchaser) entered into a sale and purchase agreement (the "New Agreement"), pursuant to which GMSC conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the New Target CCBC Shares (as defined in the announcement of the Company dated 30 December 2016), at the consideration of RMB5,764 million (the "Disposal").

On 30 December 2016, GMSC and the Purchaser entered into a profit compensation agreement (the "New Profit Compensation Agreement"), pursuant to which GMSC agreed to make certain profit guarantee and compensation in favour of the Purchaser in respect of the financial performance of GCBC for the fiscal year ended 31 December 2016 and the fiscal years ending 31 December 2017 and 2018 respectively.

The resolutions approving the New Agreement and the New Profit Compensation Agreement were passed at the extraordinary general meeting of the Company held on 22 March 2017.

On 6 April 2017, GMSC issued conversion notices to GCBC to fully exercise the conversion rights attaching to the convertible notes of GCBC in an aggregate principal amount of US\$115,000,000 for the purpose of the New Agreement. As a result of the conversion, an aggregate of 40,521,494 GCBC conversion shares had been issued to GMSC and as a result, GMSC held an aggregate of 78,874,106 GCBC shares, representing approximately 65.4% of the entire issued and outstanding share capital of GCBC as enlarged by the issue of the said GCBC conversion shares.



REPORT OF THE DIRECTORS

OTHER TRANSACTIONS (continued)

(iii) Disposal of 65.4% of the enlarged issued capital of GCBC (continued)

On 14 November 2017, the Company, GMSC and the Purchaser entered into a supplemental agreement to the New Agreement (the “Supplemental Agreement”) pursuant to which (i) the parties agreed to extend each of Deadline 1 and Deadline 2 (each as defined in the announcement of the Company dated 29 September 2017) to 31 December 2017 (the “First Extension”) and (ii) in the event that the completion of the Disposal does not take place on or before the First Extension, the parties agreed to further extend each of Deadline 1 and Deadline 2 to 31 January 2018. In consideration of the Company and GMSC agreeing to the further extension, the Purchaser (or its nominee(s)) would pay a fee of US\$10 million to GMSC. The completion of the Disposal took place on 31 January 2018.

Further details of the above transactions are set out in the Company’s announcements dated 30 December 2016, 6 April 2017, 29 September 2017, 14 November 2017 and 31 January 2018 respectively and the circular of the Company dated 6 March 2017.

(iv) Debt capitalisation agreement in relation to the acquisition of equity interests of LFC

On 30 June 2017, GM Investment Company Limited (“GM Investment”), a wholly-owned subsidiary of the Company, and LFC entered into a debt capitalisation agreement (the “GMI Debt Capitalisation Agreement”), pursuant to which GM Investment and LFC had conditionally agreed to convert the debt in the amount of SGD3,787,500 (which represents the total face value of the convertible bonds (including interests accrued up to 30 June 2017) issued by LFC to GM Investment under a convertible bond deed dated 8 July 2014 (the “GMI Convertible Bond Deed”)) (the “GMI Debt”) into a maximum of 721,428,571 new ordinary shares of LFC (“LFC Conversion Shares”) (conversion price and number of LFC Conversion Shares were subject to adjustment to reflect the share consolidation of LFC on the basis of one share for one hundred shares) in full and complete satisfaction of the GMI Debt owed by LFC to GM Investment under the GMI Convertible Bond Deed and terminate the GMI Convertible Bond Deed.

On 9 October 2017, both Resolution 1 and Resolution 2 (each as defined in the announcement of the Company dated 30 June 2017) were approved by the shareholders of LFC. The conversion of the GMI Debt into LFC Conversion Shares pursuant to the terms and conditions of the GMI Debt Capitalisation Agreement was completed on 16 October 2017. Immediately after the completion, LFC became an associate of the Group, and the Group held 48.58% equity interests in LFC.

Further details of the GMI Debt Capitalisation Agreement are set out in the Company’s announcements dated 30 June 2017, 22 August 2017 and 9 October 2017.

OTHER TRANSACTIONS (continued)

(v) Provision of loan facility to Life Corporation Services (S) Pte. Ltd. (“LFC Services”)

On 6 November 2017, GM Investment, as lender, entered into a facility agreement with LFC Services (a wholly-owned subsidiary of LFC), pursuant to which GM Investment agreed to grant to LFC Services, a loan facility in the principal amount of SGD5,000,000 at the interest rate of 9% per annum for a term of three (3) years.

Further details of the loan facility are set out in the Company’s announcement dated 6 November 2017.

(vi) Voluntary Delisting of TDR on TWSE

Details of the Group’s voluntary delisting of TDR on TWSE is set out in the section headed “Voluntary Delisting of Taiwan Depository Receipts of the Company on Taiwan Stock Exchange Corporation” on page 49 of this report.

(vii) Acquisition of interest of a limited partner in a PRC limited partnership

On 31 January 2018, 橫琴隆璽貳號投資中心（有限合夥）(Hengqin Long Xi II Investment Center (Limited Partnership)*) (the “Vendor”), 南京盈鵬資產管理有限公司 (Nanjing Ying Peng Asset Management Co., Ltd.*) (“Ying Peng Asset Management”), and 上海國泰君安好景投資管理有限公司 (Shanghai Guotai Junan Haojing Investment Management Limited*) (“Guotai Junan”) (as guarantors) and 金衛醫療科技（上海）有限公司 (Golden Meditech Technology (Shanghai) Company Limited*) (the “LP Purchaser”) entered into a transfer agreement (the “LP Transfer Agreement”), pursuant to which the Vendor had conditionally agreed to sell, and the LP Purchaser had conditionally agreed to acquire, the capital contributed by the Vendor to 南京盈鵬蕙康醫療產業投資合夥企業（有限合夥）(Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (Limited Partnership)*) (the “Partnership”) (“the LP Interest”), at the consideration which, in any event, shall not exceed RMB1,127,172,000 (equivalent to approximately HK\$1,386,422,000 at the agreement date).

On 31 January 2018, Ying Peng Asset Management and Guotai Junan, the Vendor and the Company entered into a framework agreement (the “GP Framework Agreement”). Pursuant to the GP Framework Agreement, subject to Guotai Junan and the Company (or its nominee(s)) having entered into a legally binding agreement in relation to the Potential GP Arrangement (as defined in the Company’s announcement dated 4 February 2018) on or before the completion date of the LP Transfer Agreement, Ying Peng Asset Management and Guotai Junan agreed, subject to the relevant laws and regulations and the approval procedures of the Partnership, to use their best endeavors to procure that within 60 days from the completion date of the LP Transfer Agreement, all partners of the Partnership to agree to the Company (or its nominee(s)) becoming a general partner of the Partnership and be appointed as a fund manager of the Partnership.

The acquisition of the LP Interest is subject to shareholders’ approval at the extraordinary general meeting to be held by the Company.

Further details of the LP Transfer Agreement and the GP Framework Agreement are set out in the Company’s announcement dated 4 February 2018.



REPORT OF THE DIRECTORS

AUDITORS

KPMG retires and, being eligible, offers 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 of Directors

KAM Yuen
Chairman

Hong Kong, 27 June 2018

* English name is for identification purpose only

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



REPORTING STANDARD AND SCOPE

This report is the second Environmental, Social and Governance (“ESG”) Report (“ESG Report”) released by Golden Meditech Holdings Limited (the “Company” or “Golden Meditech”, together with its subsidiaries, collectively referred to as the “Group”). The ESG Report is prepared in accordance with the “Comply or Explain” provisions specified in the ESG Reporting Guide (the “Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and adopts four reporting principles as set out in the Guide, including Materiality, Quantitative, Balance and Consistency, as the basis of preparation of this report.

The ESG Report allows every stakeholder to better understand the progress and direction of sustainable development of the Group for the fiscal year ended 31 March 2018 (“FY2017/2018” or the “Year”) through reporting the policies, measures and performances in the environmental, social and governance aspects. To ensure the accuracy of environmental key performance indicators, the Group also engaged Carbon Care Asia, a professional consulting firm, to conduct carbon evaluation. In addition, the ESG Report also includes social key performance indicators in the “Proposed Disclosures” in the Guide to enhance the effectiveness of the report.

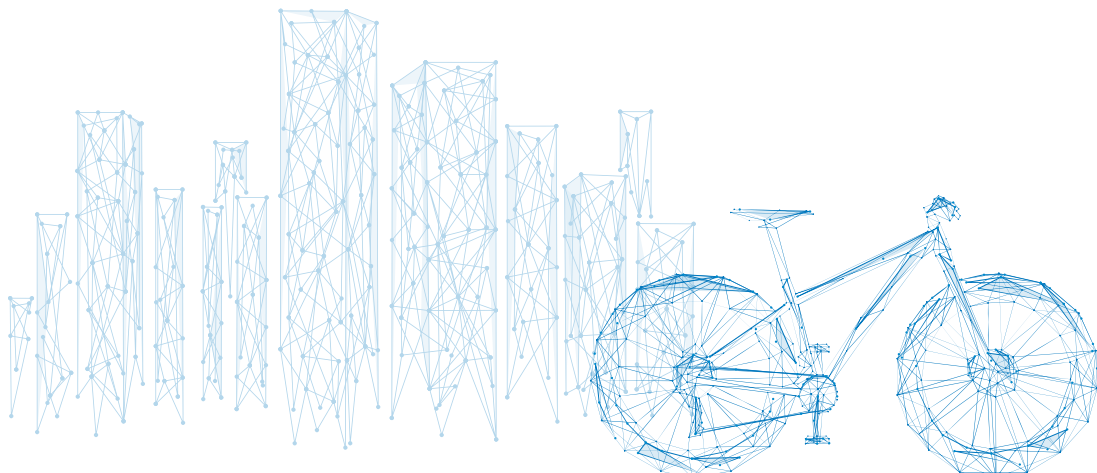
The ESG Report focuses on the operations related to the hospital in Shanghai (referred to as the “Hospital”) and operations related to Beijing Plant (the “Plant”) (collectively referred to as “Each Operation Site”). Although the ESG Report currently does not cover all the operations of the Group, however, our objective is to gradually extending the scope of disclosure.

All information in the ESG Report are derived from the Group’s official documents, statistics and information collected through our administration and operation systems, which has been confirmed and approved by the Board in June 2018. A complete content index of the Guide is appended at the back of this report for easier reference of readers.

The Group values the feedbacks from its stakeholders. If you are in doubt or have any recommendations in regards to the contents or the presentation of this report, please contact us through the following means:

Email: ir@goldenmeditech.com

Address: 48/F, Bank of China Tower, 1 Garden Road Central, Hong Kong

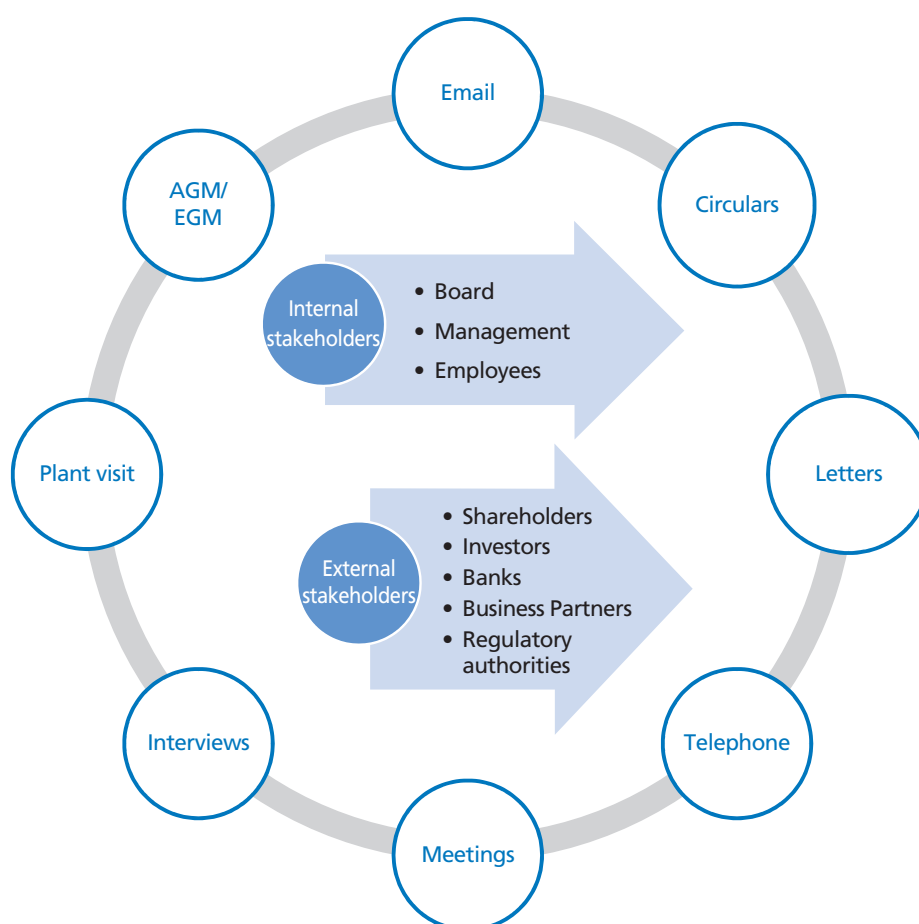


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNICATION WITH STAKEHOLDERS

The stakeholders¹ participation forms an important part of the Group's business management, which helps us to identify potential areas of risks and opportunities. Communications with key internal and external stakeholders are regularly conducted through various channels. This provides the stakeholders the opportunity to comprehend the Group's development and operational approach, and at the same time, allows the Group to listen to suggestions from the stakeholders. To this end, the Group is able to identify and prioritise the sustainable issues, align its business practices with their needs and expectation, and properly address the feedbacks from different stakeholders.

Major Stakeholders' Communication Modes during the Year



¹ "Stakeholders", also refers to as "interested parties", "equity holders" or "parties involved", means any group or individual who have significant impact on, or under significant impact of, the business of the Group, including the board of directors, management, staff as well as external shareholders, investors, banks, partners and regulatory authorities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Sustainable Development Issues during the Year

In order to identify key environmental and social issues, the Group engaged Carbon Care Asia to conduct an assessment with stakeholders through different communication methods.

An in-depth interview was conducted with the senior management to understand their vision and goals in sustainable development, followed by a survey for internal and external stakeholders to express their views. Combining the results of interview and expert advice, 12 most material issues were identified and formed the focuses of the ESG report.

Environment

(under "Environmental Protection" section)

- Use of resources

Employment and Labour Practices

(under "Employee Care" section)

- Improvement on employment management system
- Provision of a healthy and safe working environment
- Training and development
- Elimination of discrimination, employee diversity and equal opportunities
- Prevention of child and forced labour

Operating Practices

(under "Operation Management" section)

- Protection of customers' data and privacy
- Prevention of bribery, extortion, fraud and money laundering
- Responsibility for the products/services provided
- Protection on intellectual property
- True, balanced and responsible advertising

Charities

(under "Community Investment" section)

- Understanding the needs of the community and managing the operational effects on the community

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

Golden Meditech regards environmental sustainability as a key focus when fulfilling its corporate social responsibility. The Group complies with relevant environmental laws and regulations in Each Operation Site, and establishes Environmental Protection Policy Statement to demonstrate its commitment to protect the environment.

Emissions

Greenhouse gas

Given the close connection between greenhouse gas emissions, climate change and global warming, entities from all countries have set measures and goals for carbon reduction. During the Year, the Group has engaged Carbon Care Asia to conduct a carbon assessment in order to quantify the greenhouse gas emissions generated from its operations (the "Carbon Emission"). The quantification was carried out by referring to the Guidelines² released by the National Development and Reform Commission of the PRC, as well as ISO 14064-1 and Greenhouse Gas Protocol, and other international standards.

Environmental key performance indicator : Greenhouse gas

Indicator	Emissions (tonnes CO ₂ equivalent)
Total greenhouse gas emissions (Scope 1, 2 and 3)	2,886.3
Total greenhouse gas emissions (Scope 1 and 2)	2,860.5
Scope 1	98.8
Scope 2	2,761.7
Scope 3	25.8
Greenhouse gas emissions intensity (tonne CO ₂ equivalent/RMB10,000)	0.2
<i>Scope 1: Direct greenhouse gas emissions; direct greenhouse gas emissions from operations that are owned or controlled by the Company;</i>	
<i>Scope 2: Energy indirect greenhouse gas emissions; energy indirect greenhouse gas emissions resulting from generation of purchased or acquired electricity, heating, cooling and steam consumed by the Company;</i>	
<i>Scope 3: Other indirect greenhouse gas emissions; all other indirect greenhouse gas emissions from outside the Company, including upstream and downstream emissions.</i>	

² Accounting Methods and Reporting Guidelines for Greenhouse Gas Discharged by Machinery Equipment Manufacturers (Trial) and Accounting Methods and Reporting Guidelines for Greenhouse Gas Discharged by Public Building Operators (Trial).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total carbon emissions
2,886.3 tonnes CO₂ equivalent

Generated by purchased electricity proportion of carbon emissions: 67%

Carbon emissions density
(at revenue)
0.2 tonnes/RMB10,000

The main source of the Group's carbon emission came from the purchased electricity, followed by the purchased steam, both under Scope 2³. The Plant's refrigerating equipment emits fugitive greenhouse gas, whereby its carbon footprint is approximately 72 tonnes CO₂ equivalent, but its refrigerant-based ingredient is not considered a greenhouse gas⁴ under the "Kyoto Protocol". Therefore, the ESG report will not calculate such emission in the total volume of Scope 1, 2 and 3.

Regarding our main source of carbon emissions, the Group will continue to evaluate, record and make annual disclosures on our greenhouse gas emissions and other environmental data. We will compare future emission data with current year's base to evaluate the effectiveness of the prevailing measures, which will aid in setting emissions reduction targets in the future.

Waste

Fulfilling corporate social responsibility actively is the obligation of Golden Meditech to respond to the development guidelines for promoting a low-carbon economy globally. The Hospital sets out wastes management system in its Compilation of Rules and Regulations for Medical to regulate the management of medical wastes. This effectively prevents and controls medical wastes from causing damage to human health and the environment. The Hospital produces hazardous wastes such as infectious and damaging wastes, and non-hazardous wastes such as office papers. Infectious and damaging waste include blood specimens waste, needles, sterilised liquid waste, etc. are collected and treated by qualified contractors. Expired drugs and toxic chemicals are handled by the local drug administration department.



³ Since the Hospital shared the same building with Shanghai East Hospital (上海市東方醫院) and could not independently measure the electricity consumption and the purchased hot water consumption, this report did not incorporate the related activities into the carbon assessment.

⁴ The main objective of the Kyoto Protocol (known as Kyoto Protocol to the United Nations Framework Convention on Climate Change in full name) is to "stabilise the atmospheric greenhouse gas content to an appropriate level", the prescribed greenhouse gases include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hazardous wastes (including mercury-containing fluorescent tubes and activated carbon adsorbing organic waste) and non-hazardous wastes (including kitchen wastes and domestic garbage) generated by the Plant are transported and treated by qualified third-party agencies.

Environmental key performance indicator : Waste

Indicator	Emissions (tonnes)
Total hazardous wastes	1.47
Mercury-containing wastes	0.15
Damaging wastes	0.12
Infectious wastes	1.2
Other wastes	0.018
Hazardous wastes emissions density (tonne/RMB10,000)	0.0003
Total non-hazardous wastes ⁵	1.0
Office papers	1.0
Non-hazardous wastes emissions density (tonne/RMB10,000)	0.0002

Exhaust Gas

The exhaust gas of the Group were mainly emitted from the kitchen equipment of the Plant and the use of the vehicles owned by the Hospital⁶. The operation of the Plant mainly emits volatile organic compounds (“VOC”) and ethylene oxide exhaust gas. The Plant has installed an carbon-activated adsorption device in 2015 to absorb the VOC generated by the injection molding machine.

Environmental key performance indicator : Exhaust gas

Indicator	Emissions (kg)
Nitrogen oxides (only includes emissions from vehicles owned by the Hospital)	15.5
Sulfur oxides (only includes emissions from vehicles owned by the Hospital)	0.2
Suspended particle	2.1
The Hospital — emissions from vehicles	1.5
The Plant — kitchen equipments	0.6

Wastewater

The Plant does not produce any industrial wastewater. Used water and domestic wastewater are discharged into the municipal pipe networks. Wastewater produced by the Hospital is sent to the centralised wastewater treatment station of Shanghai East Hospital for treatment. Third party testing agency regularly tests the wastewater samples to ensure that the pollutants content meet the emission standards.

⁵ Only includes the data of the Hospital.

⁶ Excluding air emissions data of the vehicles owned by the Plant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

Resources consumed by both the Plant and the Hospital include electricity, fossil fuel, water and packaging materials. Electricity and steam are the most consumed energy of the Group and are mainly used for the operation of the Plant.

Environmental key performance indicator : Energy, water and packing materials

Indicator	Consumption	Unit
Energy		
Electricity	2,184.2	MWh
Heat (steam)	7,547.8	GJ
Gasoline	760.8	GJ
Diesel	81.3	GJ
Natural gas	742.9	GJ
Total energy consumption	16,995.8	GJ
Energy consumption density	1.2	GJ/RMB10,000
Water⁷	19,483	m ³
Water consumption density	2.0	m ³ /RMB10,000
Packing materials	64	Tonnes
Packing materials density	0.006	Tonnes/RMB10,000

In order to save electricity consumption, the Plant has improved its lighting facilities by using sensor lamps in certain places and gradually replacing the current lighting with LED lighting. Additionally, it also adjusts the operating mode, timing, and temperature of the chiller in accordance with the actual production conditions of the Plant and the outdoor temperature. The Plant regularly overhauls parts that are prone to water leakage, such as water valves, toilet flushers and cooling tower supply valves to reduce any cases of "evaporating, emitting, dripping or leaking of liquids" in order to conserve water. Moreover, the Plant has reduced the production water consumption by improving the cleaning process. It plans to renew the injection molding equipment in future so that the injection molded parts can directly enter the next assembly process without cleaning, thereby further conserving water.

The Hospital also implemented energy and water saving measures as well as lighting energy-saving plans. Meanwhile, the Hospital also established the Consumable Items Requisition Provision, with a view to reduce wastage and ensure efficient use of various consumable items. Under the provision, each department is required to apply the principle of "first in first use" to accurately estimate the type and quantity of required items in accordance with daily consumption needs. The Hospital's fuel conservation initiatives require the driver to record the mileage, refuelling volume and refuelling expenses for every single trip and improve the efficiency of vehicles in use. Staff from the logistics department will then calculate and compare the monthly average fuel consumption with the records to ensure that the fuel consumption is within a reasonable range.

⁷ Since the Hospital shared the same building with Shanghai East Hospital and could not independently measure the water consumption, this report only includes the water consumption of the Plant.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environment and Natural Resources

Through regular environmental monitoring, the Group makes sure that its day-to-day operations meet the requirements of statutory emission limits. The Plant has implemented the Contingency Plan for Poison Prevention and Environmental Emergencies, which aims to tackle potential environmental incidents and minimise negative impacts on its surrounding environment and natural resources, as a result of equipment malfunction and errors in processing procedures. The Hospital takes into account the impact on the environment when selecting advertising media. In addition to paper media, the Group also proactively goes paperless and cooperates with online media.

During the Year, the Group did not have any cases of noncompliance related to emissions, use of resources, or environmental and natural resources.

EMPLOYEE CARE

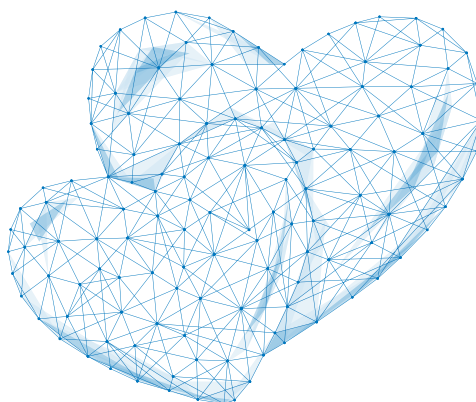
Talent development is the key to a company's success. By having the Employment and Labour Practices Policy Statement, the Group undertakes to protect the safety and health of its employees, and endeavors to provide a diverse workplace free of discrimination and harassment, so that all employees can exert their strengths and develop potentials.

Employment

Golden Meditech adopts people-oriented philosophy, cares for employees' career advancement and safeguards their interests. The Employee Handbook includes information on salary, recruitment, promotion, working hours, holidays, benefits, equal opportunities, anti-discrimination and complaint channels to allow our employees understand their rights and responsibilities, as well as requirements on their behaviors and disciplines.

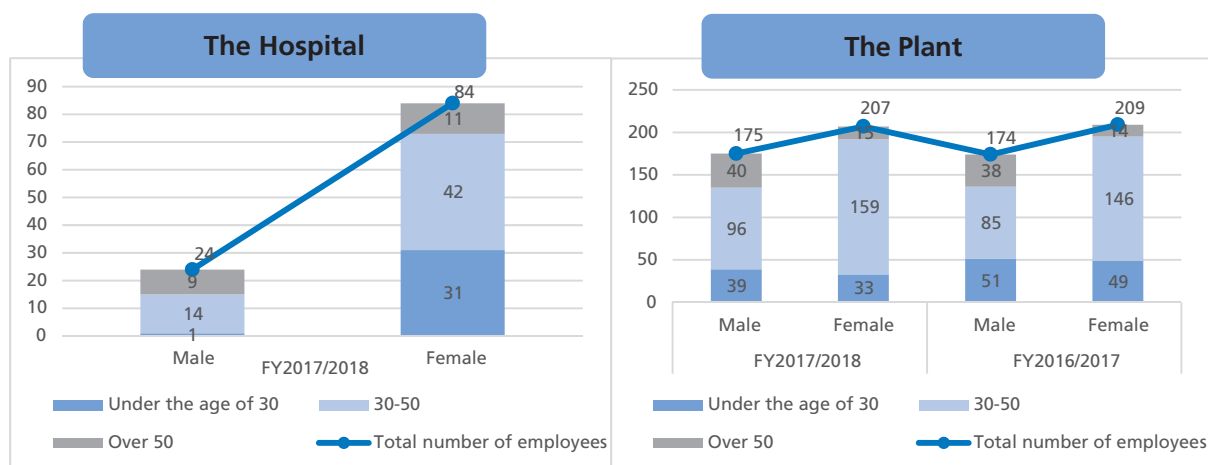
The Group establishes the Recruitment System and adheres to the principles of openness, fairness and impartiality in selecting and recruiting people. Talents are recruited through internal and external recruitment processes, using academic qualifications, work experience and good personalities as selection criteria. We do not discriminate against race, gender, age, disability, marital status, sexual orientation or religious belief.

During the Year, the number of employees in the Hospital and the Plant were 108 (FY2016/2017: not applicable) and 382 (FY2016/2017: 383) respectively.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employees of the Group by Gender and by Age



FY2017/2018 Employees of the Group by Position

Operation Site	Gender	Category	Below the age of 30	30-40	41-50	Over 50	Total number of employee
The Hospital	Male	Middle and Senior Management	0	1	0	1	108
		General Staff	1	7	6	8	
	Female	Middle and Senior Management	0	3	4	5	
		General Staff	31	22	13	6	
The Plant	Male	Middle and Senior Management	1	10	8	18	382
		General Staff	38	55	23	22	
	Female	Middle and Senior Management	1	12	6	4	
		General Staff	32	109	32	11	

During the Year, the staff turnover rate of the Hospital and the Plant were 25.9% (FY2016/2017: not applicable) and 18.1% (FY2016/2017: 13.7%), respectively. To lower staff turnover rate, whenever there is employee resignation, the department manager and the human resources department will arrange an exit interview with the employee to understand his/her reason of leaving, with the aim of retaining him/her. In addition, the Group is gradually strengthening employees' skills training, building a better corporate culture, so as to promoting employees' sense of affiliation.

During the Year, the Group did not have any cases of violation of the laws concerning employment.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

The Hospital

The major risk of occupational health and safety faced by the Hospital's medical staff is exposure to infection. The Hospital has drawn up the Standard Operating Procedures for Infection Control to safeguard the health and safety of its staff. A hospital infection committee is specifically set up to convene regular meetings, sum up the work of the Hospital's infection management, report on the progress of monitoring projects, as well as carry out training, publicity and education on infection prevention and control. In addition, the Hospital also provides protective items and organises regular health check for its employees.

The Hospital uses the Administrative Measures for Hospital Infection and the Emergency Plans for Hospital Infection Outbreak to manage hospital infection outbreak. These measures and plans are meant to guide and regulate the medical emergency responses of all departments, thereby protecting the health of patients and employees. The control measures against hospital infection outbreak include:

- control the source of infection and provide active treatments for patients and patients with suspected infection;
- cut off pathogen dissemination through effective sterilisation of the infected environment;
- implement protective measures on those population who are susceptible to infections, isolate them for treatment where necessary;
- suspend the admission of new patients; and
- complete the investigation, analyse the cause, draw conclusion and improve future preventive measures.

The Plant

In order to enhance safety management, the Plant formed a leading group for production safety management during the Year. The group is tasked with the responsibilities of executing the rules and regulations on safety production and supervising the progress of the implementation. The group also organises safety meetings on an irregular basis when needed, formulates annual safety work plan and summary, and conducts on-site inspection and evaluation.

Employees of the Plant who manufacture medical devices are likely to be exposed to the risks of fire, gas leakage and radiation leakage from production equipment. The Plant values the importance of emergencies prevention, and has established emergency plans to address different accidents. All staff are required to participate in regular safety training education, and new staff must attend related training before they can start their employment. The contents of the safety training include:

- laws and regulations concerning production safety;
- policies and operating procedures on production safety;



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



- on-site safe operating skills;
- knowledge in relation to the use, maintenance and storage of safety equipment, facilities, instruments, and labour protective items;
- preventive awareness, measures and knowledge on self and mutual medical aid in the instances of production emergencies; and
- study of precedents of safety production incidents etc.

During the Year, the Group was not aware of any cases of violation of laws and regulations concerning health and safety or any work-related injuries.

Development and Training

The Hospital

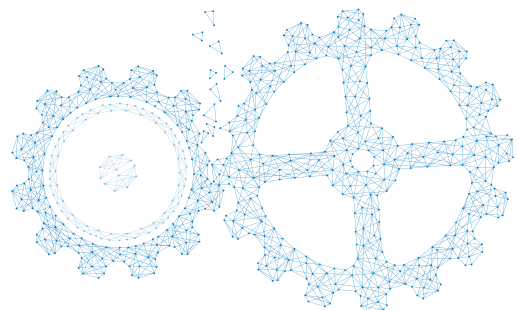
The Hospital organises diversified trainings for its employees, which not only helps to improve their working skills and operating efficiency, but also provides opportunities for their personal development. The Hospital has a well-designed staff training system. According to the Administrative Measures for Training, the human resource department is responsible for designing annual training programs, as well as supervising, guiding and assessing the overall implementation of the training programs. The in-house or external trainings include induction and in-service trainings.

During the Year, 82% of the employees at the Hospital attended training programs, with a total of 255 training hours and an average of 2.4 training hours per staff, respectively.

The Plant

The Plant designs various types of annual training programs targeted at all employees. Such training programs include in-class lectures, on-site operational demonstration, and sharing of learning materials via email. The effectiveness of the training will be assessed by way of written test, oral test, actual operation and random check. Training is integrated into the Plant's employees performance assessment system. Employees are evaluated based on their work performances and contributions, so as to design performance improvement plans for them.

During the Year, 14% of the employees at the Plant attended training programs, with a total of 2,032 training hours and an average of 5.3 training hours per staff, respectively.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

Protection of human rights is the essential requirement for sustainable development. Golden Meditech strives to uphold human rights with zero tolerance on child labour or forced labour. The Group prohibits child labour and verifies applicants' actual age during recruitment process. The Group strictly adheres to Labour Contracts, and will not illegally limit the employment relationship between employees and the Group. The Group has specified working hours and rest days in the Labour Contract, and does not encourage overtime work.

During the Year, the Group was not aware of any cases of violation of laws and regulations concerning child labour or forced labour.

OPERATION MANAGEMENT

The Group complied with all applicable laws and regulations in Each Operation Site. It has formulated the Policy Statements on Supply Chain Management, Product Responsibility and Anti-corruption, with an aim to duly manage the risks relating to the environment and society in its daily operations.

Supply Chain Management

The Group attaches importance to the cooperation with suppliers, and strongly believes that solid partnership is conducive to optimising its operating procedures.

Products procured by the Hospital are mainly disposable medical supplies and medical accessories. The Hospital has developed the Management System for Disposable Medical Supplies, which specifies that all suppliers shall possess valid production licenses and hygiene licenses issued by the relevant administrative departments governing hygiene and pharmaceuticals. According to the Administrative Measures for Suppliers, the supplier evaluation group is responsible for the on-site evaluation of suppliers and review of their qualifications. The Hospital inspects each procurement received by checking the quality, certification, date of sterilisation, manufacturing date and expiration date. Evaluations on its suppliers include pricing, delivery time, quality, technicality of medical instruments and equipment.

The Plant procured mainly raw materials and components necessary for the production of medical devices. The Plant uses the Procurement Control Procedures to standardise the cooperation with suppliers. Selection and evaluation of suppliers are based not only on their business qualifications, product quality, manufacturing process and the impacts on the quality of our medical devices, but also cover their social responsibility. For examples, the Plant will assess whether the potential suppliers involved in any case of child labour or forced labour, whether their employees are adequately paid and work in a healthy and safe environment, and whether they have a well-established environmental management system. The suppliers can only maintain its cooperation with the Plant if they pass our annual assessments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

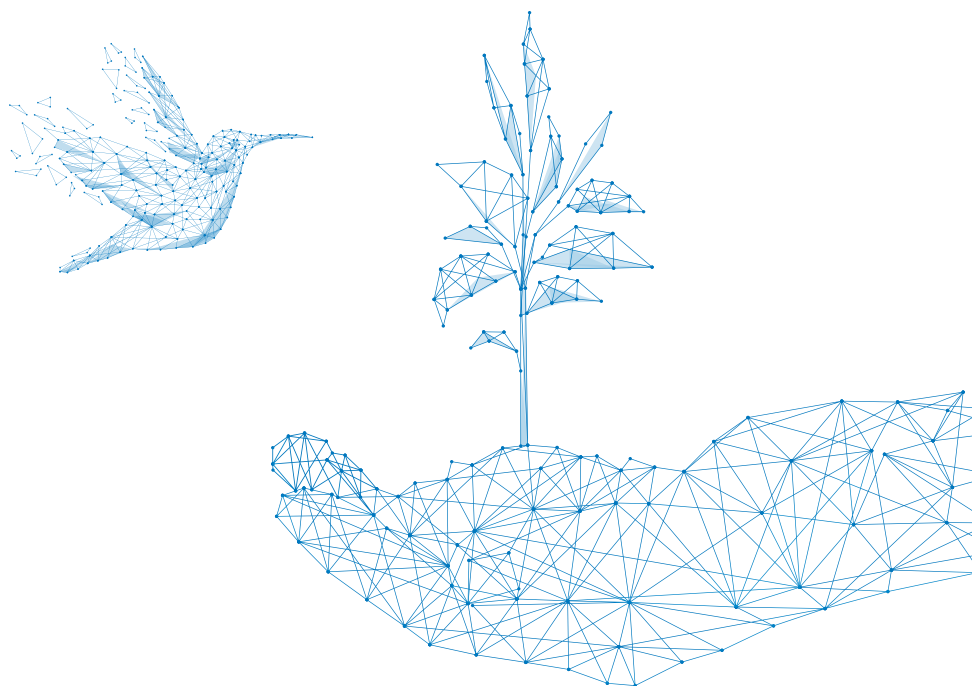
Quality Management

The Hospital

The Hospital mainly serves high-end consumers, and vows to maintaining its service quality. It has developed the Compilation of Rules and Regulations for Medical, which clearly defines the functional management systems for various departments, procedures, documentation, incidents handling, supervision and assessment, so as to protect the health and life safety of patients and employees. All employees shall follow the Administrative Provision for Disposable Medical Supplies when handling frequently-used disposable medical supplies. The infection management department is responsible for supervising the usage, management, recycling process of disposable medical and sanitary supplies, and monitoring the quality of purchased products. For regulating implantable medical devices used on human bodies, the Hospital has also implemented the System for Supervision and Management of Medical Implants. These measures are meant to review the quality of products, to follow up the health status of patients after surgery and to timely report any adverse incidence of an implantable medical device.

The Plant

The Plant manufactures the autologous blood recovery system, which is used to recover and process patients' autologous blood during clinical surgery or traumatic bleeding, and then transfuse back to patients. The Plant inspects the product quality and safety features by referencing to the ISO 9001 quality management system. Each product can only be marketed upon passing ex-factory inspection, and obtaining signed quality confirmation from the persons-in-charge of the production department and quality management department. For new products, the Plant will perform additional sampling testing on those qualified products that have already passed ex-factory inspection to ensure they are in compliance with enterprise-standards.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Opinion Management

Golden Meditech values the importance of meeting customers' needs by setting up a convenient communication channel. Customers can submit their opinions or suggestions on services or product quality through complaint channels. The Hospital collects customer opinions in the form of clients' satisfaction survey, while the Plant makes the Product After-sales Service Commitment available on its website. In order to protect our customer interests, the Plant has developed the Product Return/Exchange Policy and the Control Procedures for Customer Feedback and Complaints Handling. These policies and procedures aimed to effectively handle customer feedback and timely adopt necessary remedial measures, with a view to meeting customer needs and improving customer satisfaction. The Plant collects customer opinions using telephone interviews. The adverse events supervision department is tasked with the responsibility of summarising and following-up the feedbacks. During the Year, the Group did not encounter any incidences involving product recalls or complaints.

Customer Data Protection

Customer data security protection is critical to the Group in maintaining a sound corporate governance and building a trusted relationship with its customers. In order to effectively minimise information risk and protect information security, the Hospital established management systems for keeping, lending and reviewing customers' medical records, as well as protecting patient privacy. The Hospital has a medical record department that follows the provisions contained in the Compilation of Rules and Regulations for Medical in managing patients' medical records. No staff is allowed access to the medical records, without the consent of the clients or medical record department. Medical staff shall adhere to the Code of Professional Ethics for Medical and Healthcare Workers in Shanghai (Provisional) in protecting patients' privacy. The Hospital's information system sets the authority according to the position level, access to and extraction of customer information will be denied without authorisation.

According to the Management System for Customer Information developed by the Plant, designated staff from the adverse events monitoring department are responsible for maintaining and supervising customer information. All employees shall not reveal customer data either in private or public engagements. Upon obtaining approval from the manager of the adverse events monitoring department, customer data may be extracted for work purposes.

Intellectual Property Rights Protection

In order to protect intellectual property rights, the Plant has formulated the Control Procedures for Design and Development to ensure that the design and development of new products, as well as design improvement of existing products comply with the procedures. The Hospital has also included intellectual property rights terms in the contracts signed with suppliers. For example, the suppliers of information management system need to undertake not to reveal any information relating to technologies or design plans to any third parties.

Advertising Management

The Group gives clear guidelines on advertisement contents and selection of advertising media. In the interests of our customers, the Hospital is committed to provide them with true, objective and healthy advertisements which are in line with the social ethics. This is achieved through having standardised contents for marketing.

During the Year, the Group did not identify any cases violating the relevant laws and regulations concerning product responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

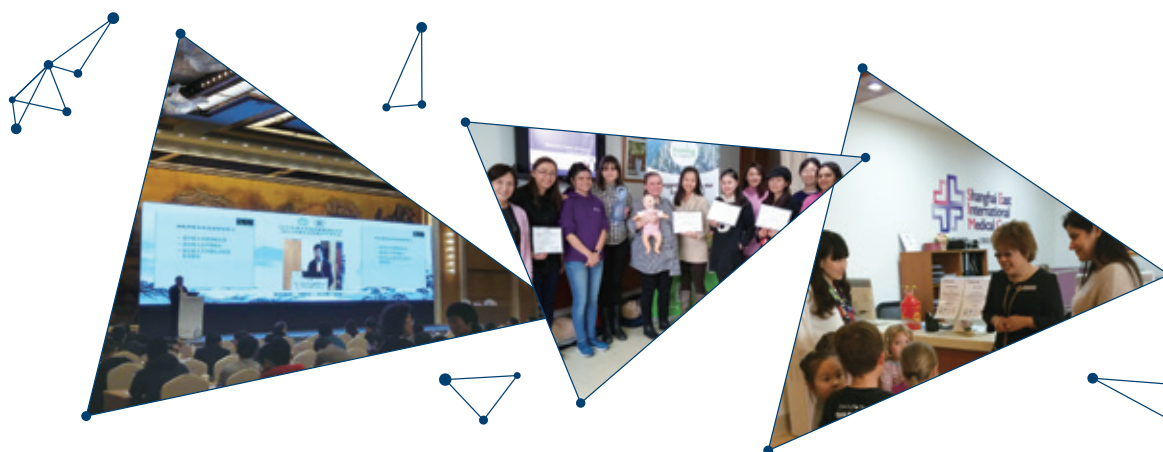
International society defines anti-corruption as one of the basic principles of corporate social responsibilities. In recent years, the Chinese government has also been actively in advancing anti-corruption work. With zero tolerance on corruptions in any forms, including bribery, extortion, fraud and money laundering, the Group undertakes to operate with integrity and in an ethical manner. The Employee Handbook of the Group spells out the code of conducts for employees, which forbids corruption, embezzlement, bribery, or the receipt of red envelopes/gifts from customers. In the event of any violation of such code of conducts, the Group is entitled to rescind the labour contract with such employee.

During the Year, there was no reported cases of corruption or litigation brought against the Group or its employees.

COMMUNITY INVESTMENT

Being a social responsible corporate, Golden Meditech is committed to giving back to the society and contributing to the sustainable development of the society, while maximising its shareholders' interests. During the Year, the Group has developed the Community Investment Policy Statement, striving to aid the communities where it operates by leveraging on its expertise and resources. It focused on three major aspects in community service, publicity and education, and gifts-in-kind donations.

During the Year, the Hospital has laid down the guidelines for welfare activities, focusing on charitable donations and auction activities, as well as blood donation activities for employees. Meanwhile, the Plant voluntarily invited medical experts to lecture on blood conservation and blood safety, in response to the national policies on blood safety and rational use of blood while enhancing relevant knowledge of the people in the communities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Subject Areas	Contents	Page/Note
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	70-73
A1.1	The types of emissions and respective emission data.	70-73
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	70
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	72
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	72
A1.5	Description of measures to mitigate emissions and results achieved.	71-72
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	71-72
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	73
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	73
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	73
A2.3	Description of energy use efficiency initiatives and results achieved.	73
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	73; there is no issue in sourcing water that is fit for purpose.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	73

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Contents	Page/Note
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	74
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	74
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	74-75
B1.1 (part)	Total workforce by gender, employment type, age group and geographical region.	75
B1.2 (part)	Employee turnover rate by gender, age group and geographical region.	75
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	76-77
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	76-77
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	77
B3.2 (part)	The average training hours completed per employee by gender and employee category.	77
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	78
B4.1	Description of measures to review employment practices to avoid child and forced labour.	78

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Contents	Page/Note
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	78
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	79-80
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	80
B6.2	Number of products and service related complaints received and how they are dealt with.	80
B6.3	Description of practices relating to observing and protecting intellectual property rights.	80
B6.4	Description of quality assurance process and recall procedures.	79-80
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	80
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	81
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	81
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	81
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	81



INDEPENDENT AUDITOR'S REPORT



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

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Golden Meditech Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 94 to 216, which comprise the consolidated statement of financial position as at 31 March 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on page 120.

The Key Audit Matter

How the matter was addressed in our audit

The Group's revenue is derived from several business segments including the cord blood storage, medical devices, hospital business (formerly named as "hospital management"), medical insurance administration, Chinese herbal medicines business and cells and tissues storage and genetic testing services businesses. In January 2018, the Group sold its entire equity interests in its cord blood storage business, which has been deconsolidated since then.

The terms set out in the agreements or orders with customers of the different business segments vary significantly.

For the cord blood storage business segment (i.e. discontinued operation), under the cord blood processing and storage agreements ("Agreements") signed with customers, the Group charges separate processing fees and storage fees to customers and such Agreements typically provide for a storage period of eighteen years with successive one-year renewal periods after the eighteenth year.

The Agreements are multiple-element arrangements, which include (i) the processing of cord blood and (ii) the storage of cord blood. The consideration received is allocated between the separate units of accounting based on the relative selling prices determined based on prices of those elements as sold on a stand-alone basis.

The Group recognises processing fee revenue upon successful completion of processing services and when the cord blood meets all the required attributes for storage and recognises storage fee revenue over the storage period.

Our audit procedures to assess the recognition of revenue included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;
- inspecting samples of agreements or orders with customers for each business segment to identify terms and conditions relating to revenue recognition and assessing the Group's policies in respect of the timing of recognition of revenue with reference to the requirements of the prevailing accounting standards;
- evaluating the revenue summary report for the cord blood storage business segment by comparing, on a sample basis, the key terms and customer information in the Agreements with the revenue summary report;
- developing expectations of revenue for the cord blood storage business segment based on (i) the number of new cord blood intakes during the year as set out in the revenue summary report, (ii) the accumulated number of stored cord blood units and (iii) prices for processing and storage services, comparing our expectations with revenue recorded by the Group and obtaining and evaluating explanations from management in respect of significant variances between our expectations and the actual revenue recorded by the Group;

KEY AUDIT MATTERS (continued)

Revenue recognition (continued)

Refer to note 4 to the consolidated financial statements and the accounting policies on page 120.

The Key Audit Matter	How the matter was addressed in our audit
For other business segments (i.e. continuing operations), revenue is generally recognised when the services are rendered or when the Group has delivered products to the customer and the customer has accepted the products and collectability of the related receivable is reasonably assured. We identified revenue recognition as a key audit matter because of the complexity of the terms and conditions of the agreements or orders with customers, particularly for the cord blood storage business segment, and because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	- for revenue generated from business segments other than the cord blood storage business segment, comparing revenue transactions, on a sample basis, with agreements or orders with customers, invoices, goods dispatch notes and other relevant underlying documentation as applicable under the different business segments; - comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with relevant underlying documentation, which included goods dispatch notes and examination reports, as applicable under the different agreements or orders with customers, to assess whether the related revenue had been recognised in the appropriate financial period; and - inspecting manual journal entries relating to revenue recognised during the year which were considered to be material or met other specific risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Accounting for the gain in respect of the disposal of approximately 65.4% of the ordinary shares of Global Cord Blood Corporation ("GCBC", formerly known as "China Cord Blood Corporation")

Refer to note 8 to the consolidated financial statements and the accounting policies on pages 104 to 105.

The Key Audit Matter

How the matter was addressed in our audit

On 30 December 2016, the Group entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (Limited Partnership) (the "Partnership"), pursuant to which the Partnership conditionally agreed to acquire approximately 65.4% of the ordinary shares of GCBC held by the Group, assuming all convertible notes issued by GCBC had been converted into ordinary shares in full, at a cash consideration of RMB5,764 million (the "Disposal").

The Disposal was completed on 31 January 2018 upon fulfilment of the closing conditions set out in the Sale and Purchase Agreement. The Group lost control over GCBC since then and accordingly a pre-tax gain of HK\$4,502 million was recognised in the consolidated income statement for the year ended 31 March 2018.

We identified the accounting for the gain in respect of the Disposal as a key audit matter because of their significance to the consolidated financial statements.

Our audit procedures to assess the accounting for the gain in respect of the Disposal included the following:

- inspecting and analysing the Sale and Purchase Agreement to identify any terms of accounting significance and challenging management's judgement on whether the control over GCBC was lost and the timing of losing control with reference to the requirements of the prevailing company law and accounting standards;
- checking, on a sample basis, specific revenue transactions recorded just before and after the date of losing control with the underlying goods delivery and acceptance notes, to assess whether the related revenue of the cord blood storage business segment had been recognised in the appropriate financial period;
- evaluating the appropriateness of accounting treatment relating to the Disposal with reference to the requirements of the prevailing accounting standards and re-performing management's calculation of gain on the Disposal;
- inspecting evidence of receipt of the consideration from the Partnership, agreeing and reconciling the consideration received by the Group to the Sale and Purchase Agreement; and
- considering the disclosures in the consolidated financial statements in respect of the Disposal with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Assessing impairment of non-current assets in relation to the hospital business

Refer to note 14 to the consolidated financial statements and the accounting policies on pages 113 to 114.

The Key Audit Matter

The Group's hospital business includes the operations of three hospitals and has been loss making since the year ended 31 March 2013. Accordingly, management considered that there was an indication of impairment of non-current assets in relation to the hospital business, which primarily comprised goodwill, property, plant and equipment and interests in leasehold land held for own use under operating leases which had carrying values of HK\$182 million, HK\$1,060 million and HK\$885 million, respectively as at 31 March 2018.

Management performed impairment assessments of the cash-generating units ("CGUs") of the hospital business to which the non-current assets were allocated at the year end to estimate their recoverable amounts by preparing discounted cash flow forecasts, which involved the exercise of significant management judgement and estimation, particularly in assessing the following:

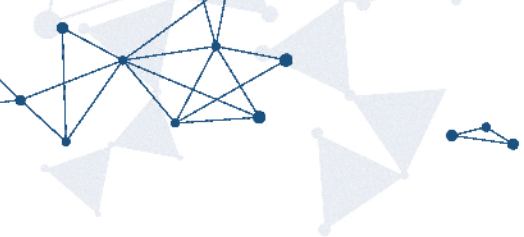
- future revenue growth rates;
- future long-term growth rates; and
- the discount rates applied.

We identified assessing impairment of non-current assets in relation to the hospital business as a key audit matter because of the significance of non-current assets in relation to the hospital business to the consolidated statement of financial position and because of the complexity of the judgemental assumptions made by management in its impairment assessments, particularly in respect of the operation model, future revenue growth rates, future long term growth rates and the discount rates applied, which could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess impairment of non-current assets in relation to the hospital business included the following:

- evaluating the management's identification of CGUs, the amounts of non-current assets and other assets and liabilities allocated to each CGU and the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards;
- comparing the most significant inputs adopted in the discounted cash flow forecasts, including forecast revenue, forecast cost of sales, forecast operating expenses and future long term growth rates with (i) the historical performance of the Group; and (ii) data from comparable companies and external market data;
- engaging our internal valuation specialists to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry;
- obtaining from management sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and
- considering the disclosures in the consolidated financial statements relating to the assessment of impairment of non-current assets in relation to the hospital business, including sensitivities of the key assumptions, with reference to the requirements of the prevailing accounting standards.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Assessing potential impairment of investments in equity securities and funds

Refer to notes 16, 17 and 19 to the consolidated financial statements and the accounting policies on pages 111 to 113.

The Key Audit Matter

How the matter was addressed in our audit

As at 31 March 2018, the Group held various investments in equity securities and funds totalling HK\$90 million, which were recognised as interest in associates, joint ventures and available-for-sale securities in the Group's consolidated statement of financial position. Investments in equity securities and funds totalling HK\$90 million did not have a quoted prices in an active market for identical instruments and the fair values of these investments could not otherwise be reliably measured. Accordingly, such investments were recognised at cost less impairment losses.

Determining whether there is objective evidence of impairment, which includes (i) a significant or prolonged decline in the fair value of any investment below its cost for investments which have a quoted price in an active market and (ii) a significant shortfall in the investee's actual business performance compared with budgets and significant changes in the technological, market, economic or legal environment that have an adverse effect on the fair value of the investment for investments which do not have a quoted prices in an active market, involves the exercise of significant management judgement.

We identified assessing potential impairment of investments in equity securities and funds as a key audit matter because of the significance of investments in equity securities and funds to the consolidated statement of financial position and because of the degree of judgement exercised by management in determining whether there was objective evidence of impairment of investments in equity securities and funds.

Our audit procedures to assess potential impairment of investments in equity securities and funds included the following:

- assessing the value of all investments in equity securities and funds for which there was a quoted price in an active market by comparing the prices adopted by the Group at the year end date with the last bid prices from independent pricing sources;
- discussing with management whether there was any objective evidence of impairment of individual investment in equity securities and funds and challenging management's assertions and conclusions with reference to the guidance in the prevailing accounting standards and by (i) obtaining and reviewing the latest financial statements of the issuers of all equity securities and funds; and (ii) conducting news searches of the issuers of all equity securities and funds; (iii) comparing the carrying amount of the investments with recent transaction price, if any.
- obtaining an understanding of management's impairment assessment in respect of the investments in equity securities and funds which had objective evidence of impairment; and
- challenging the viability of the recovery plans and considering other sources of repayment asserted by management in respect of future cash flows adopted in the impairment assessment.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tse, Wong Pui.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 June 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Continuing operations			
Revenue	4(a)	250,719	230,666
Cost of sales		(140,791)	(132,779)
Gross profit		109,928	97,887
Other income	5	99,953	14,582
Selling and marketing expenses		(40,623)	(18,980)
Administrative expenses		(417,729)	(404,475)
Impairment loss on available-for-sale securities	6(c)	(49,603)	(1,182)
Loss from operations		(298,074)	(312,168)
Finance costs	6(a)	(377,055)	(572,119)
Changes in fair value of financial instruments at fair value through profit or loss	6(c)	(47,485)	(13,633)
Share of losses of associates		(7,897)	(200)
Share of losses of joint ventures		(5,976)	(1,331)
Impairment loss on goodwill	14	—	(294,995)
Reversal of impairment loss on investment in Fortress Group Limited	18	—	734,525
Loss before taxation	6	(736,487)	(459,921)
Income tax expense	7(a)	(8,519)	(2,672)
Loss for the year from continuing operations		(745,006)	(462,593)
Discontinued operation			
Profit for the year from discontinued operation	8(b)	4,108,092	291,399
Profit/(loss) for the year		3,363,086	(171,194)

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Attributable to:			
Equity shareholders of the Company			
– continuing operations		(707,605)	(436,770)
– discontinued operation		4,106,754	289,649
		3,399,149	(147,121)
Non-controlling interests			
– continuing operations		(37,401)	(25,823)
– discontinued operation		1,338	1,750
		(36,063)	(24,073)
Profit/(loss) for the year		3,363,086	(171,194)
Basic and diluted earnings/(loss) per share (in cents)	12		
– continuing operations		(23.9)	(14.7)
– discontinued operation		138.8	9.7
		114.9	(5.0)

The notes on pages 103 to 216 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 31(d).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Profit/(loss) for the year		3,363,086	(171,194)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements to presentation currency	11	484,396	(288,542)
Share of other comprehensive income of an associate	11	(628)	—
Available-for-sale securities: net movement in fair value reserve	11	(26,588)	(44,642)
Other comprehensive income for the year		457,180	(333,184)
Total comprehensive income for the year		3,820,266	(504,378)
Attributable to:			
Equity shareholders of the Company			
— continuing operations		(479,616)	(576,758)
— discontinued operation		4,264,269	190,272
		3,784,653	(386,486)
Non-controlling interests			
— continuing operations		(39,422)	(26,904)
— discontinued operation		75,035	(90,988)
		35,613	(117,892)
Total comprehensive income for the year		3,820,266	(504,378)

The notes on pages 103 to 216 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Property, plant and equipment	13(a)	1,258,234	1,192,734
Interests in leasehold land held for own use under operating leases	13(a)	1,526,912	1,496,026
		2,785,146	2,688,760
Goodwill	14	182,291	168,318
Interests in associates	16	40,941	32,311
Interests in joint ventures	17	104,992	68,850
Available-for-sale securities	19	19,788	78,271
Trade and other receivables	21	784,911	1,186,363
Deferred tax assets	28(b)	15,028	13,418
		3,933,097	4,236,291
Current assets			
Derivative financial assets	16	1,598	5,729
Inventories	20	32,353	20,576
Trade and other receivables	22	939,269	466,682
Pledged and time deposits	23	1,016,496	74,000
Cash and cash equivalents	24(a)	2,795,654	438,957
		4,785,370	1,005,944
Assets of disposal group classified as held for sale	8(b)(i)	—	5,986,102
		4,785,370	6,992,046
Current liabilities			
Trade and other payables	25	1,775,036	991,596
Interest-bearing borrowings	26	231,807	2,822,725
Obligations under finance leases	27	3,311	3,341
Income tax payables	28(a)	66,585	61,086
Financial liabilities at fair value through profit or loss	29	—	158,088
		2,076,739	4,036,836
Liabilities of disposal group classified as held for sale	8(b)(ii)	—	2,574,384
		2,076,739	6,611,220
Net current assets		2,708,631	380,826
Total assets less current liabilities		6,641,728	4,617,117

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Non-current liabilities			
Other payables	25	—	429,000
Interest-bearing borrowings	26	918,784	—
Obligations under finance leases	27	20,153	19,679
Deferred tax liabilities	28(b)	148,430	137,233
Other non-current liabilities		419	378
		1,087,786	586,290
NET ASSETS		5,553,942	4,030,827
CAPITAL AND RESERVES			
Share capital	31(b)	583,386	593,228
Reserves	31(c)	4,892,176	2,730,712
Total equity attributable to equity shareholders of the Company		5,475,562	3,323,940
Non-controlling interests		78,380	706,887
TOTAL EQUITY		5,553,942	4,030,827

Approved and authorised for issue by the board of directors on 27 June 2018.

KAM Yuen
Director

KONG Kam Yu
Director

The notes on pages 103 to 216 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
		Share capital	Share premium	Capital redemption reserve	Capital reserve	Merger reserve	Exchange reserve	Surplus reserve	Fair value reserve	Other reserves	(Accumulated losses)/ retained earnings		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2017		593,228	3,293,087	11,679	93,474	54,193	111,570	245,941	56,330	(1,016,492)	(119,070)	3,323,940	4,030,827
Changes in equity for the year ended 31 March 2018:													
Profit/(loss) for the year		—	—	—	—	—	—	—	—	—	3,399,149	3,399,149	3,363,086
Other comprehensive income		—	—	—	—	—	402,476	—	(16,972)	—	—	385,504	457,180
Total comprehensive income for the year		—	—	—	—	—	402,476	—	(16,972)	—	3,399,149	3,784,653	3,820,266
Repurchase and cancellation of own shares	31(b)(ii)	(9,842)	(49,017)	9,842	—	—	—	—	—	—	(9,842)	(58,859)	(58,859)
Special dividend approved and paid during the year	31(d)	—	(875,080)	—	—	—	—	—	—	—	—	(875,080)	(875,080)
Dividends to holders of non-controlling interests		—	—	—	—	—	—	—	—	—	—	(5,476)	(5,476)
Cancellation of share options	32(a)	—	—	—	(10,667)	—	—	—	—	—	10,667	—	—
Equity settled share-based payment expenses	32(b)	—	—	—	38,671	—	—	—	—	—	—	38,671	50,219
Transfer to surplus reserve		—	—	—	—	—	—	2,472	—	—	(2,472)	—	—
Conversion of the convertible notes issued by a subsidiary	29(b)	—	—	—	—	—	(12,196)	—	19,781	(546,791)	—	(539,206)	—
Disposal of subsidiaries	8(b)(v)	—	—	—	(121,478)	—	(139,406)	(149,284)	(59,151)	—	270,762	(198,557)	(1,407,955)
Balance at 31 March 2018		583,386	2,368,990	21,521	—	54,193	362,444	99,129	(12)	(1,563,283)	3,549,194	5,475,562	5,553,942

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	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 earnings/ (accumulated losses) \$'000	Total \$'000		
Balance at 1 April 2016	593,228	3,293,087	11,679	65,189	54,193	327,364	231,098	79,901	(1,016,492)	33,553	3,672,800	795,686	4,468,486
Changes in equity for the year ended 31 March 2017:													
Loss for the year	—	—	—	—	—	—	—	—	—	(147,121)	(147,121)	(24,073)	(171,194)
Other comprehensive income	—	—	—	—	—	(215,794)	—	(23,571)	—	—	(239,365)	(93,819)	(333,184)
Total comprehensive income for the year	—	—	—	—	—	(215,794)	—	(23,571)	—	(147,121)	(386,486)	(117,892)	(504,378)
Dividends to holders of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(5,036)	(5,036)
Cancellation of share options	32(a)	—	—	—	(9,341)	—	—	—	—	9,341	—	—	—
Equity settled share-based payment expenses	32(b)	—	—	—	37,626	—	—	—	—	—	37,626	34,129	71,755
Transfer to surplus reserve	—	—	—	—	—	—	14,843	—	—	(14,843)	—	—	—
Balance at 31 March 2017	593,228	3,293,087	11,679	93,474	54,193	111,570	245,941	56,330	(1,016,492)	(119,070)	3,323,940	706,887	4,030,827

The notes on pages 103 to 216 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Operating activities			
Cash generated from operations	24(b)	646,896	561,696
The People's Republic of China ("PRC") income tax paid		(89,318)	(70,526)
Net cash generated from operating activities		557,578	491,170
Investing activities			
Proceeds from sale of property, plant and equipment		685	2,214
Payments for purchase of property, plant and equipment		(137,192)	(78,061)
Proceeds from costs adjustment of previously recognised property, plant and equipment		58,632	—
Payments for investments in associates		(257)	(39,764)
Loan to an associate		(7,535)	—
Payments for investments in joint ventures		(30,730)	(3,120)
Loan and advances to a joint venture		(10,140)	(66,526)
Proceeds received from a third party under the Fortress Settlement Agreements	18	429,000	—
Payments to a third party under the Fortress Settlement Agreements	18	(429,000)	—
Net proceeds received from a third party under the Fortress Settlement Agreements	18	—	78,000
Earnest money received from a third party	8(a)(ii)	—	348,867
Return of earnest money to a third party	8(a)(v)	(374,251)	—
Net cash outflows in relation to the disposal of subsidiaries	8(b)(vi)	(118,837)	—
Advances to a third party		(1,896)	—
Refund of advances to a third party		5,638	—
Payments for purchase of available-for-sale securities		—	(81,986)
Proceeds from investment income of available-for-sale securities		6,621	20,383
Payments for acquisitions of time deposits		(49,988)	(74,000)
Proceeds from disposals of time deposits		74,000	83,829
Payment for an investment deposit	37	(394,933)	—
Dividend income from available-for-sale securities	5	816	—
Interest income from bank deposits	5	17,584	15,198
Interest income from loan to a joint venture		700	—
Net cash (used in)/generated from investing activities		(961,083)	205,034

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Financing activities			
Payments for acquisitions of additional interests in subsidiaries		—	(50,000)
Payments for repurchase of own shares	31(b)	(58,859)	—
Payments for dividends to equity shareholders of the Company	31(d)	(875,080)	(9)
Payments for dividends to holders of non-controlling interests		(7,828)	(5,036)
Proceeds from an investment deposit from a third party		286,632	—
Net proceeds from new interest-bearing borrowings	24(c)	1,118,668	—
Repayments of interest-bearing borrowings	24(c)	(837,837)	(376,440)
Interest paid on interest-bearing borrowings	24(c)	(161,166)	(131,633)
Capital element of finance leases rentals paid	24(c)	(1,662)	(2,168)
Interest element of finance leases rentals paid	24(c)	(1,813)	(1,957)
Payment for redemption of convertible notes	29	(196,762)	—
Interest paid on convertible notes	29	(4,680)	(9,360)
Payments for acquisitions of deposits pledged for interest-bearing borrowings		(935,733)	—
Net cash used in financing activities		(1,676,120)	(576,603)
Net (decrease)/increase in cash and cash equivalents		(2,079,625)	119,601
Cash and cash equivalents at beginning of the year		4,397,306	4,507,530
Effects of foreign exchange rates changes		477,973	(229,825)
Cash and cash equivalents at end of the year	24(a)	2,795,654	4,397,306
Analysis of cash and cash equivalents:			
Cash and cash equivalents of the Group		2,795,654	4,397,306
Reclassification to assets of disposal group classified as held for sale	8(b)(i)	—	(3,958,349)
	24(a)	2,795,654	438,957

The notes on pages 103 to 216 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)



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 GEM (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 90,000,000 ordinary shares of the Company of par value of \$0.20 each (the “Share(s)”), comprising 60,000,000 new Shares allotted and issued by the Company and 30,000,000 Shares sold by the Company’s then shareholders, on the Taiwan Stock Exchange Corporation (“Taiwan Stock Exchange”).

On 22 November 2017, Taiwan Stock Exchange approved the Company’s application of the voluntary delisting of TDRs from Taiwan Stock Exchange and the Company’s TDRs ceased trading on 13 December 2017.

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 HKFRSs, 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”). Significant accounting policies adopted by the Group are disclosed 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. Note 2(c) 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 2018 comprise the Group and the Group’s interests in associates and joint ventures.

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (note 2(y)).

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 3.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 24(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, transactions and cash flows 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 the non-controlling interests' 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(o), (p) or (q) depending on the nature of the liability.

Changes in the Group's interest 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.

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 (note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (note 2(e)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (note 2(l)(ii)).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures

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 joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture 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 (notes 2(f) and 2(l)). 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 joint venture, 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 joint venture. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate or joint venture. Losses recognised using the equity method in excess of the Group's investment in ordinary shares are applied to the other components of the Group's interest in that associate or joint venture in the reverse order of their seniority (i.e. priority in liquidation).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, 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 (note 2(g)).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 (note 2(l)).

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.

(g) 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 joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses 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(v)(iv) and 2(v)(v).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in debt and equity securities (continued)

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. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (note 2(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(v)(iv) and 2(v)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

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.

(i) Property, plant and equipment

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

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 (note 2(x)).

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

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 held for own use	10 – 44 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	3 – 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.

(j) 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 costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (note 2(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (note 2(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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

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

– Operating rights of cord blood banks	30 years
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Both the period and method of amortisation are reviewed annually.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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 assets, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment 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 assets, the lives of the assets, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). 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.

(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 assets. 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) 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 associates and joint ventures accounted for under the equity method in the consolidated financial statements (note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(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(l)(ii).
- For unquoted equity securities 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 equity securities carried at cost are not reversed.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Impairment of assets (continued)

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

- 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 these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Impairment of assets (continued)

(i) *Impairment of investments in debt and equity securities and other receivables (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 each 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;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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 of disposal 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).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) 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 of disposal (if measurable) 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 an impairment loss 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 (notes 2(I)(i) and 2(I)(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)

(m) 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. Inventories that are not expected to be realised within 12 months from the reporting date are classified as non-current assets.

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.

(n) 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 (note 2(l)), 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. Instalments receivables which are due for repayment in over one year under deferred payment options are classified as non-current trade receivables.

(o) Convertible notes issued by the Group

Convertible notes issued by the Group have been designated as 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, 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.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. 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.

(r) 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.

(s) 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.

(ii) ***Share-based payments***

The fair value of share options and restricted share units 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 grant date, taking into account the terms and conditions upon which the share options and restricted share units were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and restricted share units, the total estimated fair value of the share options and restricted share units is spread over the vesting period, taking into account the probability that the share options and restricted share units will vest.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

(ii) *Share-based payments (continued)*

During the vesting period, the number of share options and restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the 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 vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options and restricted share units 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 share option or restricted share unit is exercised (when it is included in the amount recognised in share capital for the shares issued) or the share option or restricted share unit expires or is forfeited or cancelled (when it is released directly to retained earnings) after the end of vesting period.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) 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 adjustments to tax payable in respect of previous years.

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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

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 assets 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 assets 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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 services rendered will flow to the Group and such benefit could be reliably measured. Service income received in advance is recognised as deferred income in the consolidated statement of financial position and recognised as income on a straight-line basis over the service periods.

(iii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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 measured.

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. Consolidated statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 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 foreign operations acquired before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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

(x) 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Non-current assets held for sale and discontinued operation

(i) *Non-current assets held for sale*

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary or loss of significant influence over a joint venture or an associate, all the assets and liabilities of that subsidiary or associated with that joint venture or the associate are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary, joint venture or associate after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) *Discontinued operation*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale ((i) above), if earlier. It also occurs if the operation is abandoned.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)



2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Non-current assets held for sale and discontinued operation (continued)

(ii) Discontinued operation (continued)

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(z) 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;
- (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); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Related parties (continued)

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

(aa) 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 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 14, 32 and 33(e) contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options and restricted share units granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) 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.

(b) Fair values of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Impairment loss on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in the value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

(d) 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.

(e) Recognition of deferred tax assets

The Group has recognised deferred tax assets which arose from deductible temporary differences as set out in note 28(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.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Company acts as an investment holding company and the Group is principally engaged in five main operating segments from continuing operations, including (i) the manufacture and sale of medical devices and related medical accessories; (ii) the provision of hospital management service and hospital operation; (iii) the provision of medical insurance administration service; (iv) the research and development, manufacture and sale of Chinese herbal medicines; and (v) the provision of cells and tissues storage and genetic testing services, as well as a discontinued operating segment – the provision of cord blood storage service which was discontinued in January 2018 following the disposal of Global Cord Blood Corporation ("GCBC", formerly named "China Cord Blood Corporation") (note 8). Of which, cells and tissues storage and genetic testing services segment started operation during the year ended 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

Revenue represents the sales value of goods supplied to customers, income from hospital operation and rental, income from medical insurance administration service, income from cells and tissues storage and genetic testing services and income from discontinued cord blood storage service, less applicable VAT. The amount of each significant category of revenue is as follows:

	Note	2018 \$'000	2017 \$'000
Continuing operations			
Sale of medical devices and medical accessories		131,897	160,663
Hospital operation and rental income		107,118	60,456
Medical insurance administration service income		5,486	4,693
Sale of Chinese herbal medicines		5,274	4,854
Cells and tissues storage and genetic testing services income		944	—
		250,719	230,666
Discontinued operation	8(b)(iii)		
Cord blood storage service income		916,800	876,201
		1,167,519	1,106,867

For the years ended 31 March 2018 and 2017, no customer with whom transactions have exceeded 10% of the Group's revenue. Details of concentrations of credit risk arising from the Group's largest customers are set out in note 33(a).

Further details regarding the Group's principal activities are disclosed below.

(b) 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 reportable segments. No operating segments have been aggregated to form the following reportable segments.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Continuing reportable segments:

- Medical devices segment: the development, manufacture and sale of medical devices, including medical devices and medical accessories.
- Hospital business segment (formerly named "Hospital management segment"): the provision of hospital management service and hospital operation in the PRC.
- Medical insurance administration segment: the provision of medical insurance administration service in the PRC.
- Chinese herbal medicines segment: the research and development, manufacture and sale of Chinese herbal medicines.
- Cells and tissues storage and genetic testing services segment: the provision of cells and tissues storage service and genetic testing service.

Discontinued reportable segment:

- Cord blood storage segment, a discontinued operation: the provision of cord blood stem cell examination, processing, separation and storage service and other related services.

(i) **Segment results, assets and liabilities**

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

Segment assets include all tangible and intangible assets and current assets with the exception of deferred tax assets, available-for-sale securities and inter-company receivables. Segment liabilities include trade payables, accruals, interest-bearing borrowings of the PRC subsidiaries, deferred income and other payables attributable to the operating activities of the individual segments with the exception of interest-bearing borrowings of the Company and subsidiaries outside the PRC, 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. Reporting segment profit/(loss) includes profit/(loss) from operations and impairment losses on non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) 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 2018 and 2017 is set out below:

	Continuing operations								Discontinued operation					
	Medical devices		Hospital business		Medical insurance administration		Chinese herbal medicines		Cells and tissues storage and genetic testing services		Cord blood storage		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue from external customers	94,089	124,183	107,118	60,456	5,486	4,693	5,274	4,854	944	—	916,800	876,201	1,129,711	1,070,387
Inter-segment revenue	37,808	36,480	—	—	—	—	—	—	—	—	—	—	37,808	36,480
Reportable segment revenue	131,897	160,663	107,118	60,456	5,486	4,693	5,274	4,854	944	—	916,800	876,201	1,167,519	1,106,867
Reportable segment profit/(loss)	10,390	34,956	(147,835)	(441,865)	(25,670)	(31,834)	(27,186)	(23,345)	(10,582)	—	380,084	340,731	179,201	(121,357)
Reportable segment profit/(loss) is arrived at after charging/(crediting):														
Depreciation and amortisation charges	8,660	7,838	69,681	69,577	7,538	9,425	19,929	19,108	1,411	—	—	—	107,219	105,948
(Reversal)/increase of impairment loss on trade receivables	—	(86)	21	(356)	—	791	—	—	—	—	30,346	34,095	30,367	34,444
Impairment loss on goodwill	—	—	—	294,995	—	—	—	—	—	—	—	—	—	294,995
Reportable segment assets	195,706	235,734	2,317,696	2,326,851	60,043	65,158	651,251	594,745	47,529	—	5,505,070	5,505,070	3,272,225	8,727,558
Additions to property, plant and equipment	954	1,726	24,474	20,350	861	1,367	6,379	948	34,591	—	—	27,808	67,259	52,199
Reportable segment liabilities	49,026	66,706	181,829	159,829	353	625	3,292	1,842	2,877	—	—	2,575,407	237,377	2,804,409

The Group's revenue and operating profit/(loss) derived from activities outside the PRC are immaterial. Therefore, no geographical information is provided.

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

Revenue

	Continuing operations		Discontinued operation		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Reportable segment revenue	250,719	230,666	916,800	876,201	1,167,519	1,106,867

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities: (continued)

Profit or loss

	Continuing operations		Discontinued operation		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Reportable segment profit/(loss)	(200,883)	(462,088)	380,084	340,731	179,201	(121,357)
Impairment loss on available-for-sale securities	(49,603)	(1,182)	—	(2,943)	(49,603)	(4,125)
Finance costs	(377,055)	(572,119)	—	(1,704)	(377,055)	(573,823)
Changes in fair value of financial instruments at fair value through profit or loss	(47,485)	(13,633)	—	—	(47,485)	(13,633)
Share of losses of associates	(7,897)	(200)	—	—	(7,897)	(200)
Share of losses of joint ventures	(5,976)	(1,331)	—	—	(5,976)	(1,331)
Reversal of impairment loss on investment in Fortress Group Limited	—	734,525	—	—	—	734,525
Gain on disposal of subsidiaries	—	—	4,501,901	—	4,501,901	—
Unallocated head office and corporate expenses	(47,588)	(143,893)	—	—	(47,588)	(143,893)
Consolidated profit/(loss) before taxation	(736,487)	(459,921)	4,881,985	336,084	4,145,498	(123,837)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities: (continued)

Assets and liabilities

	Note	2018 \$'000	2017 \$'000
Assets			
Reportable segment assets		3,272,225	8,727,558
Interests in associates	16	40,941	32,311
Interests in joint ventures	17	104,992	68,850
Amounts due from Sanpower Group Limited ("Sanpower")	18	1,207,177	1,518,498
Available-for-sale securities	19	19,788	531,681
Deferred tax assets	28(b)	15,028	41,042
Investment deposits paid by the Group		404,790	—
Pledged deposits	23	966,508	17,617
Cash and cash equivalents		2,664,859	255,521
Unallocated head office and corporate assets		22,159	35,259
Consolidated total assets		8,718,467	11,228,337
Liabilities			
Reportable segment liabilities		237,377	2,804,409
Amounts due to PAGAC	18	429,000	858,000
Earnest money received from Sanpower	25	—	340,742
Investment deposit received by the Group	25	312,422	—
Withholding tax in relation to the disposal of GCBC	25	720,320	—
Interest-bearing borrowings	26	1,150,591	2,822,725
Deferred tax liabilities	28(b)	148,430	137,233
Financial liabilities at fair value through profit or loss	29	—	158,088
Unallocated head office and corporate liabilities		166,385	76,313
Consolidated total liabilities		3,164,525	7,197,510

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER INCOME

	Note	2018 \$'000	2017 \$'000
Continuing operations			
Interest income from bank deposits		4,785	3,808
Interest income from other receivables	18	117,679	3,973
Interest income from loan to an associate	36(b)(ii)	261	—
Interest income from loan to a joint venture	36(b)(ii)	3,013	535
VAT refunds	(i)	317	1,123
Net exchange loss		(28,799)	(241)
Net gain/(loss) on disposal of property, plant and equipment		202	(891)
Dividend income from available-for-sale securities		79	—
Others		2,416	6,275
		99,953	14,582

- (i) Pursuant to the relevant government policies and approval documents from the local government authorities, one of the Group's PRC subsidiaries is entitled to VAT refund which is calculated at approximately 14% (2017: 14%) of sale of software products embedded in the medical devices.

	Note	Ten months from 1 April 2017 to 31 January 2018 \$'000	2017 \$'000
Discontinued operation	8(b)(iii)		
Interest income from bank deposits		12,799	11,390
Interest income from trade receivables		6,837	8,740
Net exchange gain/(loss)		155	(43)
Net gain on disposal of property, plant and equipment		1,002	257
Government grants		2,438	4,756
Dividend income from available-for-sale securities		737	—
Others		617	1,874
		24,585	26,974

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

		2018 \$'000	2017 \$'000
Continuing operations			
Interests on interest-bearing borrowings wholly repayable within five years		364,322	565,482
Finance charges on obligations under finance leases		1,813	1,957
Others		10,920	4,680
		377,055	572,119
Ten months from 1 April 2017 to 31 January 2018			
	Note	2018 \$'000	2017 \$'000
Discontinued operation			
Interests on interest-bearing borrowings wholly repayable within five years	8(b)(iii)	—	1,704

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION (continued)

(b) Staff costs

		2018 \$'000	2017 \$'000
Continuing operations			
Salaries, wages and other benefits		151,772	156,025
Contributions to defined contribution retirement plans		20,093	14,851
		171,865	170,876
Discontinued operation			
		Ten months from 1 April 2017 to 31 January 2018 \$'000	2017 \$'000
	Note		
Salaries, wages and other benefits		160,908	149,071
Contributions to defined contribution retirement plans		29,177	28,240
Equity settled share-based payment expenses	32(b)	50,219	71,755
		240,304	249,066

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION (continued)

(c) Other items

	Note	2018 \$'000	2017 \$'000
Continuing operations			
Amortisation of land lease premium [#]	13(a)	37,242	36,905
Depreciation of property, plant and equipment [#]	13(a)	70,786	69,554
Impairment losses on:			
– goodwill	14	—	294,995
– available-for-sale securities	19	49,603	1,182
– trade receivables	22(b)	21	349
Reversal of impairment loss on investment in Fortress Group Limited	18	—	(734,525)
Changes in fair value of financial instruments at fair value through profit or loss:			
– warrant issued by an associate	16	4,131	1,524
– convertible notes issued by the Company	29	43,354	12,109
		47,485	13,633
Operating lease charges: minimum lease payments [#]			
– assets held for own use under operating leases		16,801	16,546
– other assets		953	1,296
Auditors' remuneration			
– audit services		6,115	6,852
– other services ^{##}		5,891	3,173
Research and development costs (other than depreciation and amortisation costs)		11,173	8,926
Cost of inventories [#]	20(b)	56,985	78,604

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION (continued)

(c) Other items (continued)

	Note	Ten months from 1 April 2017 to 31 January 2018 \$'000	2017 \$'000
Discontinued operation			
Amortisation of intangible assets*		—	—
Depreciation of property, plant and equipment*		—	—
Impairment losses on:			
– available-for-sale securities	8(b)(iii)	—	2,943
– trade receivables		30,346	34,095
Operating lease charges: minimum lease payments#			
– assets held for own use under operating leases		3,815	3,296
Auditors' remuneration – audit services		5,976	6,691
Research and development costs (other than depreciation and amortisation costs)		10,677	10,370
Cost of inventories#	20(b)	177,893	124,667

* In accordance with the accounting policy set out in note 2(y), as long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

During the year ended 31 March 2018, cost of inventories includes \$50,993,000 (2017: \$48,896,000) 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 6(b) for each of these types of expenses, of which, \$27,026,000 (2017: \$26,346,000) relates to the continuing operations.

During the year ended 31 March 2018, other services performed by KPMG primarily related financial due diligences works.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Continuing operations

(i) Taxation in the consolidated income statement represents:

	Note	2018 \$'000	2017 \$'000
Current tax – PRC Corporate Income Tax (“CIT”)			
Provision for the year		11,900	6,280
Under/(over)-provision in respect of prior years		1,463	(208)
	28(a)	13,363	6,072
Deferred tax			
Origination and reversal of temporary differences	28(b)(i)	(4,844)	(3,400)
Total income tax expense		8,519	2,672

(ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2018 \$'000	2017 \$'000
Loss before taxation	(736,487)	(459,921)
Notional taxation on loss before taxation, calculated at the rates applicable to loss in the related jurisdictions concerned	(53,751)	63,355
Tax effect of non-deductible expenses	8,536	5,645
Tax effect of non-taxable gains	(19,460)	(123,217)
Under/(over)-provision in respect of prior years	1,463	(208)
Reduced tax rate approved by tax authorities	(5,349)	(1,428)
Unused tax losses not recognised	75,653	58,205
Effect of withholding tax in relation to interest income	1,087	—
Effect of withholding tax on profit distributions	340	320
Actual tax expense	8,519	2,672

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(b) Discontinued operation (note 8(b)(iii))

(i) Taxation in the consolidated income statement represents:

	Ten months from 1 April 2017 to 31 January 2018 \$'000	2017 \$'000
Current tax – PRC CIT		
Provision for the year	70,442	69,051
Withholding tax on disposal of subsidiaries	712,220	—
Over-provision in respect of prior years	(1,022)	(1,300)
	781,640	67,751
Deferred tax		
Origination and reversal of temporary differences	(7,747)	(23,066)
Total income tax expense	773,893	44,685

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

	Ten months from 1 April 2017 to 31 January 2018 \$'000	2017 \$'000
Profit before taxation	4,881,985	336,084
Notional taxation on profit before taxation, calculated at the rates applicable to profit in the related jurisdictions concerned	101,824	105,101
Over-provision in respect of prior years	(1,022)	(1,300)
Reduced tax rate approved by tax authorities	(39,795)	(43,419)
Unused tax losses not recognised	666	789
Effect of withholding tax on disposal of subsidiaries	712,220	—
Effect of withholding tax on profit distributions	—	(16,486)
Actual tax expense	773,893	44,685



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(c) PRC CIT

The Group's subsidiaries in the PRC are subject to the PRC CIT. On 16 March 2007, the PRC government enacted the new Corporate Income Tax Law ("CIT Law"), which unified the income tax rate to 25% for all companies registered and incorporated in the PRC. Accordingly, except for Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing"), Beijing Jiachenhong Biological Technologies Co., Ltd. ("Beijing Jiachenhong"), Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd. ("Guangzhou Nuoya") and Zhejiang Lukou Biotechnology Co., Ltd. ("Zhejiang Lukou"), all other PRC subsidiaries of the Group are subject to income tax at 25% for the years ended 31 March 2018 and 2017.

According to the CIT Law and its relevant regulations, entities that qualified as high and new technology enterprise ("HNTE") are entitled to a preferential income tax rate of 15%.

Jingjing, Beijing Jiachenhong and Guangzhou Nuoya obtained the latest renewed certificates of HNTE in October 2017, October 2017 and November 2016, respectively and accordingly are subject to income tax at 15% for the calendar years from 2017 to 2019, 2017 to 2019 and 2016 to 2018, respectively.

Zhejiang Lukou obtained its certificate of HNTE in September 2015 with an effective period of calendar years from 2015 to 2017. Upon the expiry or failure in renewal of HNTE certificate, the tax rate applied to Zhejiang Lukou would be 25%. Subject to renewal, Zhejiang Lukou's HNTE status will enable it to continue to enjoy the preferential income tax rate of 15% for the calendar years from 2018 to 2020. The Group believes that Zhejiang Lukou meets all the criteria for the renewal of HNTE.

Income tax expense of Jingjing for the years ended 31 March 2018 and 2017 were calculated based on an income tax rate of 15%. As at 31 January 2018, the Group lost controls over Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou along with the disposal of GCBC (note 8). Income tax expense of Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou for the period from 1 April 2017 to 31 January 2018 and the year ended 31 March 2017 were calculated based on an income tax rate of 15%.

The CIT Law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from 1 January 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%.

(d) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2018 and 2017 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(e) Cayman Islands tax and British Virgin Islands ("BVI") tax

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

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

8 DISPOSAL OF GCBC

(a) Background

(i) Previous agreements

On 6 January 2016, Golden Meditech Stem Cells (BVI) Company Limited ("GMSC"), a wholly-owned subsidiary of the Company and a substantial shareholder of GCBC, and the Company (as guarantor) entered into a conditional sale and purchase agreement (the "Agreement A") with Nanjing Xinjekou Department Store Co., Ltd.* (Chinese name as 南京新街口百貨商店股份有限公司, herein referred to as "Nanjing Xinbai"), pursuant to which, GMSC conditionally agreed to sell, and Nanjing Xinbai conditionally agreed to acquire 65.4% ordinary shares of GCBC, assuming the convertible notes issued by GCBC had been converted into the ordinary shares of GCBC in full (the "Target GCBC Shares"), at a consideration of RMB5,764,000,000 (the "Consideration A"). Consideration A shall be settled by Nanjing Xinbai by way of (i) issue of the RMB-denominated 134,336,378 new ordinary shares with a par value of RMB1.00 each of Nanjing Xinbai to be listed on the PRC domestic market at the issue price of RMB18.61 each, subject to adjustments and (ii) payment of cash consideration of RMB3,264,000,000.

GMSC and Nanjing Xinbai also entered into a profit compensation agreement dated 6 January 2016 (the "Previous Profit Compensation Agreement"), pursuant to which, GMSC guaranteed that GCBC's net profit as defined in the Previous Profit Compensation Agreement for the years ended/ending 31 December 2016, 2017 and 2018 (the "Commitment Period") shall be not less than RMB300,000,000, RMB360,000,000 and RMB432,000,000 (together as the "Guaranteed GCBC Net Profit"), respectively.

If GCBC fails to meet the Guaranteed GCBC Net Profit, GMSC is required to pay the compensation amount specified under the Previous Profit Compensation Agreement, which will be settled by the shares of Nanjing Xinbai or by cash at the discretion of GMSC.

On 6 January 2016, GMSC and the Company (as guarantor) entered into another conditional sale and purchase agreement with Nanjing Xinbai (the "Agreement B"), pursuant to which, GMSC conditionally agreed to sell, and Nanjing Xinbai conditionally agreed to acquire the remaining approximately 34.6% ordinary shares of GCBC, at a consideration of approximately US\$267,076,000 (the "Consideration B"), if the privatisation of GCBC is completed. Consideration B shall be settled by Nanjing Xinbai in cash.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DISPOSAL OF GCBC (continued)

(a) Background (continued)

(i) *Previous agreements (continued)*

At the extraordinary general meeting of the Company held on 15 June 2016, shareholders of the Company approved Agreement A, the Previous Profit Compensation Agreement and Agreement B (together as the “Previous Agreements”). Further details of the above transactions are set out in the Company’s announcement dated 13 January 2016 and the Company’s circular dated 26 May 2016, respectively.

(ii) *Earnest money agreements*

On 29 August 2016, the Company announced that it was informed by Nanjing Xinbai that due to the uncertainty in the regulatory policy regarding significant asset restructuring of listed companies in the PRC, the application for the China Securities Regulatory Commission’s approval of its acquisition of the Target GCBC Shares was withdrawn.

To continue facilitating the proposed disposal of the Target GCBC Shares, on 1 September 2016, the Company entered into an earnest money agreement with Sanpower* (Chinese name as 三胞集團有限公司) (the “Earnest Money Agreement”), pursuant to which, (a) Sanpower has paid to the Group an earnest money of RMB300,000,000 in cash (equivalent to approximately \$348,867,000 at the date of receipt) to facilitate the sale and purchase of the Target GCBC Shares under Agreement A or pursuant to alternative arrangement(s); and (b) the parties will use their best reasonable endeavours to enter into legally binding agreement(s) for the purposes of the alternative proposal within two months after the signing of the Earnest Money Agreement or such later period as the parties may agree. The earnest money paid to the Company by Sanpower will be fully refunded upon completion of the proposed disposal of the Target GCBC Shares.

On 31 October 2016, the Company and Sanpower entered into a supplementary agreement to the Earnest Money Agreement, pursuant to which, the two months’ period referred to in the paragraph above had been extended to four months.

On 30 December 2016, the Company and Sanpower entered into the second supplementary agreement in relation to the Earnest Money Agreement, pursuant to which the Company shall return the earnest money to Sanpower within three business days from the earlier of (i) the date on which the consideration of the proposed disposal of the Target GCBC Shares is paid into a non-escrow bank account designated by GMSC; and (ii) the date on which the escrow money (in the same amount as the consideration of the proposed disposal of the Target GCBC Shares) is paid into a non-escrow bank account of GMSC (or its onshore affiliate) designated by GMSC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DISPOSAL OF GCBC (continued)

(a) Background (continued)

(iii) New agreements

On 30 December 2016, GMSC, the Company and Nanjing Xinbai entered into termination agreements to terminate the Previous Agreements.

On 30 December 2016, GMSC and the Company (as guarantor) entered into a new conditional sale and purchase agreement (the "New Agreement") with Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (Limited Partnership)* (Chinese name as 南京盈鵬蕙康醫療產業投資合夥企業(有限合夥)), herein referred to as "Nanjing Ying Peng", pursuant to which, GMSC conditionally agreed to sale and Nanjing Ying Peng conditionally agreed to acquire the Target GCBC Shares at a cash consideration of RMB5,764,000,000 (equivalent to approximately \$7,122,204,000 at the date of disposal), same as Consideration A.

In connection with the New Agreement, GMSC and Nanjing Ying Peng entered into a new profit compensation agreement dated 30 December 2016 (the "New Profit Compensation Agreement"), pursuant to which, GMSC guaranteed that GCBC's net profit as defined in the New Profit Compensation Agreement for the Commitment Period shall be not less than the Guaranteed GCBC Net Profit.

If GCBC fails to meet the Guaranteed GCBC Net Profit, GMSC is required to pay the compensation amount by cash calculated as follow:

$$\frac{\text{Accumulated Guaranteed GCBC Net Profit for the Commitment Period} - \text{Accumulated achieved GCBC Net Profit for the Commitment Period}}{\text{Accumulated Guaranteed GCBC Net Profit for the Commitment Period}} \times \text{RMB2,500,000,000}$$

At the extraordinary general meeting of the Company held on 22 March 2017, the shareholders had approved the termination of Previous Agreements, the New Agreement and the New Profit Compensation Agreement. Further details of the termination agreements, the New Agreement and the New Profit Compensation Agreement are set out in the Company's announcement dated 30 December 2016 and the Company's circular dated 6 March 2017.

On 29 September 2017, the effective conditions as specified under the New Agreement have been fulfilled and the New Agreement has become effective. Further details are set out in the Company's announcement dated 29 September 2017.

* English name is for identification purpose only.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DISPOSAL OF GCBC (continued)

(a) Background (continued)

(iv) Termination of the privatisation of GCBC

On 13 April 2017, the Company received a letter from the board of directors of GCBC and was informed that in view of the development regarding the Company's beneficial ownership in GCBC, including but not limited to the Group's disposal of the Target GCBC Shares pursuant to the New Agreement, the Group's future plans regarding GCBC after the said disposal is completed and the overall viability of the privatisation, the board of directors of GCBC has resolved to terminate any further evaluation of or negotiation regarding the privatisation of GCBC. As such, the Company did not continue to pursue the privatisation. Further details are set out in the Company's announcement dated 13 April 2017.

(v) Supplemental agreement and the completion of the disposal

On 14 November 2017, the Company and Nanjing Ying Peng entered into a supplemental agreement (the "Supplemental Agreement"), pursuant to which, (i) the completion date of the New Agreement has been extended to 31 December 2017 (the "First Extension"); and (ii) in the event that the completion does not take place on or before the First Extension, the completion date will be further extended to 31 January 2018 (the "Further Extension"), and if the Further Extension occurs Nanjing Ying Peng shall pay an extension fee of US\$10,000,000 (equivalent to approximately \$78,000,000). Further details are set out in the Company's announcement dated 14 November 2017.

On 31 January 2018, the disposal of GCBC was completed. Accordingly, the Group ceased to hold any interest in GCBC and GCBC and its subsidiaries ceased to be the subsidiaries of the Company. A gain on disposal of \$4,501,901,000 (note 8(b)(v)) was recognised during the year ended 31 March 2018. Following the completion of the disposal of GCBC, the Group returned the earnest money of RMB300,000,000 (equivalent to approximately \$374,251,000 at the date of return) to Sanpower.

(b) Disposal group held for sale and discontinued operation

As mentioned in note 8(a), during the year ended 31 March 2017, the Group terminated the Previous Agreements under certain circumstances and entered into the New Agreement and the New Profit Compensation Agreement to further facilitate the disposal of the Target GCBC Shares. Management considered that it is highly probable the carrying amount of GCBC would be recovered through the New Agreement rather than through continuing use and the disposal group is available for sale in its present condition. In addition, the operation of GCBC is considered as separate major line of business. Accordingly, the criteria of disposal group held for sale and discontinued operation were met. As a result, management classified the assets and liabilities of GCBC as disposal group held for sale and accounted for the operations of GCBC as a discontinued operation in the consolidated financial statements for the year ended 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DISPOSAL OF GCBC (continued)

(b) Disposal group held for sale and discontinued operation (continued)

(i) Assets of disposal group classified as held for sale

	Note	2018 \$'000	2017 \$'000
Property, plant and equipment		—	672,038
Intangible assets		—	137,728
Goodwill	14	—	66,663
Available-for-sale securities	19	—	453,410
Inventories	20	—	102,128
Trade and other receivables	21 and 22	—	568,162
Cash and cash equivalents	24(a)	—	3,958,349
Deferred tax assets	28(b)	—	27,624
		—	5,986,102

(ii) Liabilities of disposal group classified as held for sale

	Note	2018 \$'000	2017 \$'000
Trade and other payables	25	—	426,303
Income tax payables		—	12,836
Deferred income	30	—	2,135,245
		—	2,574,384

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DISPOSAL OF GCBC (continued)

(b) Disposal group held for sale and discontinued operation (continued)

(iii) Results of discontinued operation

	Note	Ten months from 1 April 2017 to 31 January 2018 \$'000	2017 \$'000
Revenue	4(a)	916,800	876,201
Cost of sales ^{#*}		(143,303)	(144,167)
Gross profit		773,497	732,034
Other income [#]	5	24,585	26,974
Selling and marketing expenses [*]		(205,689)	(202,249)
Administrative expenses [*]		(212,309)	(216,028)
Impairment loss on available-for-sale securities	6(c)	—	(2,943)
Profit from operations		380,084	337,788
Finance costs	6(a)	—	(1,704)
Profit before taxation	6	380,084	336,084
Income tax expense	7(b)(i)	(61,673)	(44,685)
Profit for the period/year, net of tax		318,411	291,399
Gain on disposal of GCBC	8(b)(v)	4,501,901	—
Income tax expense in relation to the disposal of GCBC ^{##}		(712,220)	—
Profit from discontinued operation for the period/year		4,108,092	291,399

* During the period from 1 April 2017 to 31 January 2018 and year ended 31 March 2017, no depreciation of property, plant and equipment and amortisation of intangible assets were charged to profit from discontinued operation after classification to assets of disposal group classified as held for sale since 31 March 2016 in accordance with the Group's accounting policies set out in note 2(y)(i).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DISPOSAL OF GCBC (continued)

(b) Disposal group held for sale and discontinued operation (continued)

(iii) Results of discontinued operation (continued)

During the period from 1 April 2017 to 31 January 2018, changes in fair value of financial liabilities at fair value through profit or loss include consolidated adjustments amounting to \$174,617,000.

During the year ended 31 March 2017, cost of sales, other income and changes in fair value of financial liabilities at fair value through profit or loss include consolidated adjustments amounting to (\$19,500,000), (\$30,339,000) and \$281,499,000, respectively.

Gain on disposal of GCBC is subject to the PRC withholding tax at 10% on the consideration received by entity deducting tax computation basis of the transferred equity interest (the "Tax Gain") in accordance with the CIT Law and its relevant regulations. As the Group is still under communication with local tax bureau on the Tax Gain, the withholding tax in relation to the disposal of GCBC was initially provided based on the total consideration of RMB5,764,000,000 (equivalent to approximately \$7,122,204,000 at the date of disposal) at a withholding tax rate of 10%, being the maximum tax exposure to the Group for the year ended 31 March 2018.

(iv) Cash flows generated from discontinued operation

	Ten months from 1 April 2017 to 31 January 2018 \$'000	2017 \$'000
Net cash generated from operating activities	778,041	826,716
Net cash used in investing activities	(48,442)	(94,764)
Net cash used in financing activities	(4,090)	(180,090)
Net cash generated from discontinued operation	725,509	551,862

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DISPOSAL OF GCBC (continued)

(b) Disposal group held for sale and discontinued operation (continued)

(v) Reconciliation of gain on disposal of GCBC

	Note	As at 31 January 2018 \$'000
Consideration	8(a)(iii)	7,122,204
Extension fee	8(a)(v)	78,000
		7,200,204
Less the following items:		
Net assets of disposed group as at the date of disposal:		
Property, plant and equipment		(787,767)
Intangible assets		(151,042)
Goodwill		(66,663)
Available-for-sale securities		(421,993)
Inventories		(127,528)
Trade and other receivables		(589,386)
Cash and cash equivalents	8(b)(vi)	(5,125,426)
Deferred tax assets		(38,666)
Trade and other payables		542,664
Income tax payables		5,325
Deferred income		2,737,953
		(4,022,529)
Non-controlling interests		1,209,398
Additional fee in relation to the settlement of the Promissory Note		(83,729)
Release of the cumulative exchange reserve and fair value reserve of GCBC upon the disposal of GCBC		198,557
		(2,698,303)
Gain on disposal of GCBC	8(b)(iii)	4,501,901
(vi) Reconciliation of net cash proceeds from the disposal of GCBC		
	Note	\$'000
Consideration	8(a)(iii)	7,122,204
Extension fee	8(a)(v)	78,000
Net settlement of interest-bearing borrowings	26(c)	(2,193,615)
Cash and cash equivalents of GCBC as at the date of disposal	8(b)(v)	(5,125,426)
		(118,837)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2018					
	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Retirement scheme contributions* \$'000	Equity settled share-based payments# \$'000	Total \$'000
Executive directors						
Mr. KAM Yuen ("Mr. Kam")	—	2,600	—	1,018	—	3,618
Mr. KONG Kam Yu ("Mr. Kong")	—	2,579	4,000	1,018	—	7,597
Non-executive directors						
Ms. ZHENG Ting	—	3,160	4,000	115	19,620	26,895
Mr. GAO Yue (##)	60	—	1,180	100	—	1,340
Independent non-executive directors						
Prof. CAO Gang	60	—	1,180	100	—	1,340
Mr. FENG Wen (##)	60	—	1,180	100	—	1,340
Prof. GU Qiao	60	—	1,180	100	—	1,340
Mr. Daniel FOA	200	—	1,180	100	—	1,480
	440	8,339	13,900	2,651	19,620	44,950

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS (continued)

	2017					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions*	Equity settled share-based payments#	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Executive directors						
Mr. Kam	—	2,600	—	15,593	—	18,193
Mr. Kong	—	2,340	—	4,533	—	6,873
Mr. YU Kwok Kuen, Harry (resigned on 30 June 2016)	—	1,314	2,949	5	—	4,268
Non-executive directors						
Ms. ZHENG Ting	—	3,409	2,000	11,394	16,710	33,513
Mr. GAO Yue	60	—	300	238	—	598
Independent non-executive directors						
Prof. CAO Gang	60	—	300	1,252	—	1,612
Mr. FENG Wen	60	—	300	452	—	812
Prof. GU Qiao	60	—	300	1,529	—	1,889
Mr. Daniel FOA	200	—	300	213	—	713
	440	9,663	6,449	35,209	16,710	68,471

* Amounts include compensations granted to the directors of the Company under a retirement benefits scheme approved by the shareholders at the annual general meeting of the Company held on 28 September 2016 (the "Retirement Benefits Scheme"), and is measured in accordance with the Group's accounting policies as set out in note 2(s)(i). A director will, subject to the terms and conditions of the Retirement Benefits Scheme, be entitled to a one-off cash benefit after ceasing to be a director in an amount to be calculated in accordance with the formula set out in the Retirement Benefits Scheme. The formula takes into account, among other things, (a) a base amount of the retirement cash for a 12-month period to be determined by reference to the office of a director (being (i) \$1,000,000 for each 12-month period for an executive director and (ii) \$100,000 for each 12-month period for a non-executive director and an independent non-executive director) and (b) the length of service of a director. Further details are set out in the Company's circular dated 26 August 2016.

Amounts represent the estimated value of restricted share units (the "RSU(s)") granted to the directors of the Company under GCBC's RSU scheme. The value of these RSUs is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii) and, in accordance with that policy, include adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of RSUs granted, are disclosed under the paragraph "Share option schemes" in the report of the directors and note 32.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS (continued)

Subsequently on 26 April 2018, Mr. Feng Wen has been re-designated from an independent non-executive director to an executive director of the Company; and Mr. Gao Yue has been re-designated from an non-executive director to an independent non-executive director of the Company.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: two) is the director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four (2017: three) individuals is as follows:

	2018 \$'000	2017 \$'000
Salaries and other emoluments	5,607	5,529
Discretionary bonuses	6,475	4,000
Equity settled share-based payments	42,398	32,437
Retirement scheme contributions	15	18
	54,495	41,984

The emoluments of the four (2017: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2018	2017
Emoluments bands		
\$9,000,001 to \$10,000,000	2	—
\$10,000,001 to \$11,000,000	—	1
\$11,000,001 to \$13,000,000	—	—
\$13,000,001 to \$14,000,000	—	1
\$14,000,001 to \$15,000,000	—	—
\$15,000,001 to \$16,000,000	1	—
\$16,000,001 to \$17,000,000	—	—
\$17,000,001 to \$18,000,000	—	1
\$18,000,001 to \$20,000,000	—	—
\$20,000,001 to \$21,000,000	1	—
	4	3

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including reclassification adjustments:

	2018 \$'000	2017 \$'000
Exchange reserve:		
Exchange differences on translation of financial statements to presentation currency	484,396	(288,542)
Share of other comprehensive income of an associate	(628)	—
Less: Income tax	—	—
Net movement in exchange reserve during the year recognised in other comprehensive income	483,768	(288,542)
Fair value reserve:		
Changes in fair value of available-for-sale securities recognised during the year	(28,681)	(48,767)
Reclassification adjustment for amounts transferred to profit or loss – impairment loss on available-for-sale securities	2,093	4,125
Less: Income tax	—	—
Net movement in fair value reserve during the year recognised in other comprehensive income	(26,588)	(44,642)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of \$3,399,149,000 (2017: consolidated loss attributable to ordinary equity shareholders of the Company of \$147,121,000) divided by the weighted average number of ordinary shares of 2,958,051,000 Shares (2017: 2,966,140,000 Shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares (basic):

	Note	2018 Number of shares '000	2017 Number of shares '000
Issued ordinary shares at 1 April		2,966,140	2,966,140
Effect of repurchase of own shares	31(b)(ii)	(8,089)	—
Weighted average number of ordinary shares at 31 March		2,958,051	2,966,140

(ii) Consolidated profit/(loss) attributable to ordinary equity shareholders of the Company:

	2018 \$'000	2017 \$'000
Profit/(loss) attributable to equity shareholders		
– from continuing operations	(707,605)	(436,770)
– from discontinued operation	4,106,754	289,649
	3,399,149	(147,121)

(iii) Earnings/(loss) per share:

	2018	2017
Basic earnings/(loss) per share (in cents)		
– from continuing operations	(23.9)	(14.7)
– from discontinued operation	138.8	9.7
	114.9	(5.0)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS/(LOSS) PER SHARE (continued)

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the consolidated profit attributable to ordinary equity shareholders of the company of \$3,399,149,000 (2017: consolidated loss attributable to ordinary equity shareholders of the Company of \$147,121,000) divided by the weighted average number of ordinary shares of 2,958,051,000 Shares (2017: 2,966,140,000 Shares).

The calculation of diluted earnings/(loss) per share for the years ended 31 March 2018 and 2017 did not include the potential effects of deemed issuance of shares under the Company's share option scheme, convertible notes and warrant issued by an associate during the years as they have an anti-dilutive effect on the basic earnings/(loss) per share amount for the respective years.

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

Note	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 \$'000
Cost:									
At 1 April 2017	1,232,119	57,612	253,992	28,686	87,740	7,811	1,667,960	1,707,181	3,375,141
Exchange adjustments	126,658	5,833	24,267	1,546	8,597	2,936	169,837	79,486	249,323
Additions	10,193	—	16,846	180	7,786	39,940	74,945	—	74,945
Costs adjustment	(58,632)	—	—	—	—	—	(58,632)	—	(58,632)
Transfer from construction in progress	—	—	3,082	—	2,374	(5,456)	—	—	—
Disposals	—	(528)	(4,999)	(2,331)	(324)	—	(8,182)	—	(8,182)
At 31 March 2018	1,310,338	62,917	293,188	28,081	106,173	45,231	1,845,928	1,786,667	3,632,595
Accumulated amortisation and depreciation:									
At 1 April 2017	205,805	48,878	120,330	22,945	74,701	—	472,659	211,155	683,814
Exchange adjustments	24,402	4,967	11,508	1,147	7,504	—	49,528	11,358	60,886
Charge for the year	35,902	995	24,669	1,731	7,489	—	70,786	37,242	108,028
Written back on disposals	—	(528)	(4,998)	(2,286)	(312)	—	(8,124)	—	(8,124)
At 31 March 2018	266,109	54,312	151,509	23,537	89,382	—	584,849	259,755	844,604
Impairment loss:									
At 1 April 2017	—	—	—	—	—	2,567	2,567	—	2,567
Exchange adjustments	—	—	—	—	—	278	278	—	278
At 31 March 2018	—	—	—	—	—	2,845	2,845	—	2,845
Net book value:									
At 31 March 2018	1,044,229	8,605	141,679	4,544	16,791	42,386	1,258,234	1,526,912	2,785,146

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

	Note	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 \$'000
Cost:										
At 1 April 2016		1,309,347	60,586	249,726	30,884	89,086	11,280	1,750,909	1,755,839	3,506,748
Exchange adjustments		(79,811)	(3,213)	(13,626)	(1,005)	(4,792)	(863)	(103,310)	(48,658)	(151,968)
Additions		2,583	239	18,181	2,512	3,630	202	27,347	—	27,347
Transfer from construction in progress		—	—	2,808	—	—	(2,808)	—	—	—
Disposals		—	—	(3,097)	(3,705)	(184)	—	(6,986)	—	(6,986)
At 31 March 2017		1,232,119	57,612	253,992	28,686	87,740	7,811	1,667,960	1,707,181	3,375,141
Accumulated amortisation and depreciation:										
At 1 April 2016		181,245	50,495	106,101	22,477	72,187	—	432,505	179,990	612,495
Exchange adjustments		(12,052)	(2,607)	(5,740)	(674)	(4,132)	—	(25,205)	(5,740)	(30,945)
Charge for the year	6(c)	36,612	990	23,066	2,068	6,818	—	69,554	36,905	106,459
Written back on disposals		—	—	(3,097)	(926)	(172)	—	(4,195)	—	(4,195)
At 31 March 2017		205,805	48,878	120,330	22,945	74,701	—	472,659	211,155	683,814
Impairment loss:										
At 1 April 2016		—	—	—	—	—	2,737	2,737	—	2,737
Exchange adjustments		—	—	—	—	—	(170)	(170)	—	(170)
At 31 March 2017		—	—	—	—	—	2,567	2,567	—	2,567
Net book value:										
At 31 March 2017		1,026,314	8,734	133,662	5,741	13,039	5,244	1,192,734	1,496,026	2,688,760

- (b) At 31 March 2018, the Group had pledged interests in leasehold land with an aggregate carrying amount of \$638,196,000 as collateral against certain loans granted to the Group by a bank (note 26(a)) (2017: \$nil).
- (c) As at 31 March 2018, the Group was in the process of obtaining property ownership certificates for buildings in Beijing with an aggregate carrying amount of \$937,943,000 (2017: \$925,724,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2018 \$'000	2017 \$'000
Outside Hong Kong – medium-term lease	2,571,141	3,076,915
Reclassification to assets of disposal group classified as held for sale	—	(554,575)
	2,571,141	2,522,340
Representing:		
Buildings held for own use	1,044,229	1,580,889
Reclassification to assets of disposal group classified as held for sale	—	(554,575)
	1,044,229	1,026,314
Interests in leasehold land held for own use under operating leases	1,526,912	1,496,026
	2,571,141	2,522,340

(e) Assets held under finance leases

The Group leases one (2017: three) motor vehicle under finance leases expiring within 1 year and certain machineries under finance leases expiring in 11 years. At the end of the lease terms, the Group has the option to purchase the leased motor vehicle 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 vehicle and machineries held under finance leases of the Group was \$2,386,000 (2017: \$3,055,000) and \$19,226,000 (2017: \$18,975,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

- (f) On 8 April 2016, Shanghai Baisuihang Pharmaceutical Company Limited ("Baisuihang") received a letter in relation to cooperation and support of resumption work (the "Letter") from Qingpu District of Shanghai. According to the Letter, Baisuihang was informed that the area in which Baisuihang is located has been listed in the development plan of the new city and will be included in the year 2016 resumption plan of Qingpu District of Shanghai.

As at the date of this annual report, the resumption of land and properties of Baisuihang situated in the Qingpu District of Shanghai as contemplated by the Letter (the "Possible Land Resumption") is still at preliminary stage and details of the Possible Land Resumption, including but not limited to timing of the Possible Land Resumption, compensation term, relocation plan and other relevant information are not yet available.

14 GOODWILL

	Note	\$'000
Cost:		
At 1 April 2016		491,410
Exchange adjustments		(28,097)
At 31 March 2017 and 1 April 2017		463,313
Exchange adjustments		45,898
At 31 March 2018		509,211
Accumulated impairment loss:		
At 1 April 2016		—
Charge for the year	6(c)	(294,995)
At 31 March 2017 and 1 April 2017		(294,995)
Exchange adjustments		(31,925)
At 31 March 2018		(326,920)
Carrying amount:		
At 31 March 2017		168,318
At 31 March 2018		182,291

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14 GOODWILL (continued)

Impairment tests for cash-generating units containing goodwill

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

	Note	2018 \$'000	2017 \$'000
Medical devices		506	506
Cord blood storage		—	66,663
Hospital management		143,092	129,119
Hospital operation		38,693	38,693
		182,291	234,981
Reclassification to assets of disposal group classified as held for sale	8(b)(i)	—	(66,663)
		182,291	168,318

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 with the final year representing a steady state in development of business. Cash flows beyond the budget period are extrapolated using the estimated rates stated as below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14 GOODWILL (continued)

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

Key assumptions used for value-in-use calculations:

	2018 %	2017 %
Gross margin		
Medical devices	51.2	51.0
Hospital management	43.6	42.6
Hospital operation	47.5	46.2
Cord blood storage	N/A	81.1
Growth rate		
Medical devices	1.5	1.5
Hospital management	7.5	7.5
Hospital operation	4.0	4.0
Cord blood storage	N/A	8.2
Discount rate		
Medical devices	16.2	16.2
Hospital management	12.8	12.8
Hospital operation	12.3	12.3
Cord blood storage	N/A	14.4

In accordance with the Group's accounting policies, the recoverable amount of each CGU is the greater of its fair value less costs of disposal and value-in-use. The valuation method of fair value less costs of disposal was not adopted for the Group's businesses because there was no reasonable basis for making a reliable estimate of the price at which an orderly transaction to sell the relevant CGUs would take place between market participants at the measurement date under the then prevailing current market condition. Instead, the valuation method of discounted cash flow was adopted for determining the recoverable amount of the relevant CGUs, which had been consistently applied in the valuation on the CGUs. The Group did not engage an external party to perform the valuation on the CGUs in the years ended 31 March 2018 and 2017.

Management determined the budgeted growth rate and gross margin based on past performance, market data in the same industry and its expectation for market development. The discount rates reflect specific risks relating to the relevant CGUs.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14 GOODWILL (continued)

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

During the year ended 31 March 2017, in response to the increasingly competitive hospital business environment in Beijing, the Group decided to lease out several floors of Beijing Qinghe Hospital Company Limited ("Qinghe Hospital") and medical equipment in return for rental income instead of operating the same. As a result, Qinghe Hospital's performance for the year ended 31 March 2017 was lower than the originally estimated one as at 31 March 2016. During the management's annual review on the CGU based on the revised forecast, the recoverable amount of the CGU allocated to hospital management was found to be lower than its carrying amount as at 31 March 2017 by \$294,995,000. Accordingly, an impairment loss was recognised in respect of this CGU of which \$294,995,000 has been allocated to reduce the carrying amount of goodwill. The carrying amount of CGU has been reduced to its recoverable amount of \$1,118,669,000 as at 31 March 2017.

As at 31 March 2018, the recoverable amounts of the CGUs are higher than their carrying amounts based on value-in-use calculations. Accordingly, no impairment on goodwill was recognised in the consolidated income statement for the year ended 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of the Company	Place of incorporation and business	Proportion of ownership interest			Issued/registered capital	Principal activities
		Group's effective holding	Held by the Company	Held by subsidiaries		
Jingjing (i)	The PRC	100.00%	—	100.00%	RMB100,000,000	Manufacture and sale of medical devices
China Bright Group Co. Limited ("China Bright")	Hong Kong	100.00%	100.00%	—	149,423,167 shares	Investment holding and sale of medical devices
GM Hospital Group Limited ("GMHG")	BVI	100.00%	100.00%	—	US\$100	Investment holding
GM Hospital Management (China) Company Limited ("GMHM(China)") (i)	The PRC	100.00%	—	100.00%	RMB80,000,000	Provision of hospital management services
GM Investment Company Limited ("GM Investment")	Hong Kong	100.00%	100.00%	—	1 share	Investment holding
Baisuihang (i)	The PRC	100.00%	—	100.00%	RMB150,000,000	Research and development, manufacture and sale of Chinese herbal medicines
Shanghai East International Medical Centre Limited ("SEIMC") (ii)	The PRC	56.00%	—	56.00%	US\$5,250,000	Hospital operation
Qinghe Hospital (iii)	The PRC	82.73%	—	82.73%	RMB150,000,000	Hospital management and operation
Beijing Sunbow Obstetrics and Gynaecology Hospital Company Limited ("Sunbow Hospital") (iii)	The PRC	82.73%	—	82.73%	RMB10,000,000	Hospital operation
Golden Meditech Technology (Shanghai) Company Limited ("GM Shanghai") (i)	The PRC	100.00%	—	100.00%	US\$10,000,000	Software design and production of medical equipment
GM-Medicare Management (China) Company Limited ("GMMM(China)") (i)	The PRC	70.00%	—	100.00%	US\$15,000,000	Provision of medical insurance administration service
GMSC	BVI	100.00%	100.00%	—	US\$1	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (continued)

Notes:

- (i) These subsidiaries are wholly-owned foreign enterprises.
- (ii) SEIMC is a sino-foreign co-operative joint venture, which is accounted for as one of the Group's subsidiaries as it is controlled by the Group.
- (iii) These subsidiaries are PRC domestic enterprises.
- (iv) Foreign exchange control regulations in PRC impose restrictions on fund flows between subsidiaries located in the PRC and other entities within the Group.

The following table lists out the information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2018			
	SEIMC \$'000	Qinghe Hospital and Sunbow Hospital \$'000	Other individually immaterial subsidiaries \$'000	Total \$'000
NCI percentage	44.00%	17.27%		
Current assets	72,646	137,677		
Non-current assets	20,960	1,872,975		
Current liabilities	(17,901)	(1,435,462)		
Non-current liabilities	—	(20,153)		
Net assets	75,705	555,037		
Carrying amount of NCI	33,310	95,855	(50,785)	78,380
Revenue	52,759	54,359		
Profit/(loss) for the year	8,050	(193,115)		
Total comprehensive income	15,870	(214,647)		
Profit/(loss) allocated to NCI	3,542	(33,351)	(6,254)	(36,063)
Dividend paid to NCI	(5,476)	—	—	(5,476)
Cash flows generated from/(used in) operating activities	6,399	(57,161)		
Cash flows generated from investing activities	348	60,353		
Cash flows used in financing activities	(12,149)	(2,946)		

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INTERESTS IN SUBSIDIARIES (continued)

	2017				
	SEIMC \$'000	Qinghe Hospital and Sunbow Hospital \$'000	GCBC * \$'000	Other individually immaterial subsidiaries \$'000	Total \$'000
NCI percentage	44.00%	17.27%	47.56%		
Current assets	82,640	86,203	4,139,951		
Non-current assets	2,616	1,878,694	1,787,940		
Current liabilities	(12,978)	(1,175,921)	(2,622,760)		
Non-current liabilities	—	(19,292)	(2,110,748)		
Net assets	72,278	769,684	1,194,383		
Carrying amount of NCI	31,803	132,816	578,397	(36,129)	706,887
Revenue	59,279	1,177	876,201		
Profit/(loss) for the year	13,759	(121,568)	(2,378)		
Total comprehensive income	18,319	(119,747)	(191,894)		
Profit/(loss) allocated to NCI	6,054	(20,995)	(1,131)	(8,001)	(24,073)
Dividend paid to NCI	(5,036)	—	—	—	(5,036)
Cash flows generated from/(used in) operating activities	11,989	(93,190)	826,716		
Cash flows generated from/(used in) investing activities	7,650	(15,672)	(94,764)		
Cash flows (used in)/generated from financing activities	(11,445)	101,819	(180,090)		

* As disclosed in note 8, on 31 January 2018, the disposal of GCBC was completed and the Group lost control and retained no interest over GCBC since then.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTERESTS IN ASSOCIATES

	Note	2018 \$'000	2017 \$'000
Investment in Cellenkos Inc. ("Cellenkos")	I	26,027	32,311
Investment in Life Corporation Limited ("LFC")	II	6,951	—
Amounts due from LFC	III	7,963	—
		40,941	32,311

Details of the Group's interests in associates, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal Activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Cellenkos	Incorporated	United States (the "US")	US\$745	17.4%	17.4%	—	Research and development of stem cells therapies
LFC	Incorporated	Australia/Singapore	AUD2,255,219	50.2%	—	50.2%	Provision of funeral services

Note I: On 15 September 2016, the Company entered into several agreements in relation to the investment in Cellenkos, pursuant to which, (i) the Company agreed to subscribe for an aggregate number of 1,300,000 shares of Cellenkos, representing approximately 17.4% issued share capital of Cellenkos, at a consideration of approximately US\$5,098,000 (equivalent to approximately \$39,764,000); and (ii) the Company was granted a warrant (the "Cellenkos Warrant") issued by Cellenkos to subscribe for a maximum of 1,300,000 shares of Cellenkos at an exercise price of US\$3.921569 per share, same as the initial investment price, within two years from the issuance date.

The Company is entitled to vote the number of shares represented by the Cellenkos Warrant and receive dividends as if the Cellenkos Warrant had already been exercised. Assuming exercise of all warrants granted by Cellenkos to its shareholders in full, the Group's effective interest in Cellenkos would be 26%. Pursuant to the above mentioned agreements, management determined that the Group has significant influence over Cellenkos, including participation in its financial and operating policy decisions and Cellenkos is therefore an associate of the Group.

The Cellenkos Warrant is considered as an embedded derivative component of the investment which is separated from the host contract and measured in accordance with the Group's accounting policies as set out in note 2(h). Any excess of payments over the amount initially recognised as the derivative financial assets is recognised as interest in an associate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTERESTS IN ASSOCIATES (continued)

Note I: Movements of the investment in Cellenkos are set out as below:

Note	Interest in Cellenkos \$'000	Derivative financial assets \$'000	Total \$'000
As at 1 April 2017	32,311	5,729	38,040
Share of losses of Cellenkos	(6,284)	—	(6,284)
Changes in fair value recognised in profit or loss during the year	6(c) —	(4,131)	(4,131)
As at 31 March 2018	26,027	1,598	27,625

As at 31 March 2018 and 2017, the Group has not yet exercised any of the Cellenkos Warrant.

Note II: The Group previously held 19.76% equity interest in LFC and the convertible notes with a principal amount of Singapore Dollars ("SGD") 3,000,000 issued by LFC (the "GM Debt") with a maturity date of 30 July 2019, at an conversion price of Australian Dollars ("AUD") 0.16 per ordinary share of LFC. LFC was previously listed on the Australian Securities Exchange ("ASX") and issued another convertible notes with a principal amount of SGD3,000,000 (the "Northeast Debt") to Northeast Capital Pte Ltd. ("Northeast"), an independent third party. As at 31 March 2017, the abovementioned equity and debt investments in LFC held by the Group were recognised as available-for-sale securities (note 19).

Due to the delay of the construction of the automated columbarium in Singapore, LFC had not been able to generate sufficient cash and was not able to meet its interest payment obligations, which constituted an event of default under the terms of the GM Debt. On 30 June 2017, the Group and LFC entered into a debt capitalisation agreement (the "GM Debt Capitalisation Agreement"), pursuant to which, the Group agreed to convert the GM Debt at a price of AUD0.005 per share, into 721,428,571 ordinary shares of LFC and terminate the GM Debt. Simultaneously, Northeast also entered into a similar debt capitalisation agreement (the "Northeast Debt Capitalisation Agreement") to convert the Northeast Debt at a price of AUD0.005 per share, into 721,428,571 ordinary shares of LFC and terminate the Northeast Debt.

On 16 October 2017, both the GM Debt Capitalisation Agreement and the Northeast Debt Capitalisation Agreement were completed. Accordingly, the Group and Northeast held 48.6% and 47.7% equity interest in LFC, respectively. The initial cost of the investment in LFC was stated at fair value of the ordinary shares of LFC owned by the Group, being \$8,935,000, with reference to the quoted market price of AUD0.002 per share.

Subsequent to the completion of above debt capitalisation, LFC undertaken certain equity transactions and then delisted its shares from the ASX. Upon completion of the abovementioned transactions and as at 31 March 2018, the Group's shareholding in LFC increased to 50.2%.

Pursuant to the consolidated constitution of LFC, the board of directors of LFC has the highest power over the business of LFC, which contains one director from the Group, one from Northeast and an independent director. Resolution made by the board of directors of LFC are decided by a majority of votes of directors. As a result, management determined that LFC is an associate of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTERESTS IN ASSOCIATES (continued)

Note III: The amounts included a loan to a subsidiary of LFC with a principal of SGD1,300,000 (equivalent to approximately \$7,779,000) at an interest rate of 9% p.a. for a term of three years expiring on 5 November 2020. The loan is guaranteed by certain guarantors including Mr. Kong, an executive director of the Company. The provision of the loan facility is to finance the on-going development of the automated columbarium business in Singapore.

Both Cellenkos and LFC are unlisted entities and do not have quoted market price for valuation as at 31 March 2018.

Summarised financial information of the Group's associates, adjusted for any differences in accounting policies, and a reconciliation to the carrying amounts in the consolidated financial statements, are disclosed below:

	Note	Cellenkos 2018 \$'000	2017 \$'000	LFC 2018 \$'000
Gross amounts				
Non-current assets		89,638	111,757	34,239
Current assets		60,236	75,454	7,320
Current liabilities		(294)	(1,516)	(6,800)
Non-current liabilities		—	—	(25,035)
Equity		149,580	185,695	9,724
Revenue		—	—	5,841
Loss for the year		(36,115)	(1,144)	(3,210)
Other comprehensive income		—	—	(1,250)
Total comprehensive income		(36,115)	(1,144)	(4,460)
Reconciled to the Group's interests in associates				
Gross amounts of net assets of associates		149,580	185,695	9,724
Group's effective interest		17.4%	17.4%	50.2%
Group's share of net assets of associates		26,027	32,311	4,884
Goodwill		—	—	2,067
Amounts due from LFC	III	—	—	7,963
Carrying amount in the consolidated financial statements		26,027	32,311	14,914

17 INTERESTS IN JOINT VENTURES

	Note	2018 \$'000	2017 \$'000
Investments in joint ventures		31,364	1,789
Amounts due from a joint venture	III	73,628	67,061
		104,992	68,850

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTERESTS IN JOINT VENTURES (continued)

Details of the Group's interests in joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Golden Meditech Javadi Precision Medicine Limited ("GM Javadi")	Incorporated	Cayman Islands/ the US	US\$1,000,000	40.0%	—	40.0%	Operation of precision medicine clinic (Note I)
ASA Asset Management Co., Ltd. ("ASA")	Incorporated	Japan	JPY70,000,000	50.0%	—	50.0%	Real estate asset management and arrangement services (Note II)

Note I: In January 2017, GM Javadi was established by the Group and two independent third parties. Pursuant to the terms of the shareholders' agreement, the Group and other parties contractually agreed to share control of GM Javadi and have rights to the net assets of GM Javadi. Thus, management determined that GM Javadi is a joint venture of the Group.

Note II: In December 2017, Golden Meditech K.K. ("GM K.K."), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with ASA Global Inc. (the "ASA Vendor"), an independent third party, and Magnum Opus International Holdings Limited ("Magnum Opus"), which is wholly-owned by Mr. Kam, pursuant to which, GM K.K. and Magnum Opus each agreed to acquire 50% of the equity interest in ASA from the ASA Vendor at a cash consideration of Japanese Yen ("JPY") 425,000,000 each (equivalent to approximately \$30,730,000 at payment date).

The transaction was completed on 28 February 2018. GM K.K. and Magnum Opus each owns 50% equity interest in ASA and ASA became a joint venture of the Group.

Note III: The amounts included:

- (i) a loan to a subsidiary of GM Javadi with a principal of US\$8,229,000 (equivalent to approximately \$64,186,000) for a period of 5 years expiring on 11 January 2022, at an interest rate charged at the United States prime rate. The loan is pledged by certain land and building held by the said subsidiary of GM Javadi. The loan is measured at amortised cost method; and
- (ii) advances to GM Javadi of US\$1,600,000 (equivalent to approximately \$12,480,000) which were repayable on demand as at 31 March 2018. Management considered that such advances to GM Javadi, in substance, form part of the Group's net investment in GM Javadi. During the year ended 31 March 2018, share of losses of GM Javadi recognised using the equity method in excess of the Group's equity investment in GM Javadi were applied to the said advances.

Both GM Javadi and ASA are unlisted entities and do not have quoted market price for valuation as at 31 March 2018 and 2017.

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(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of the Group's joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amounts in the consolidated financial statements, are disclosed below:

	GM Javadi		ASA
	2018	2017	2018
	\$'000	\$'000	\$'000
Gross amounts			
Non-current assets	64,557	65,761	1,960
Current assets	3,247	6,561	15,324
Current liabilities	(15,674)	(3,664)	(3,308)
Non-current liabilities	(64,186)	(64,186)	(6)
Equity	(12,056)	4,472	13,970
Included in the above assets and liabilities:			
Cash and cash equivalents	3,215	6,529	10,989
Current financial liabilities — due to the Group	(14,264)	(2,875)	—
Non-current financial liabilities — loan due to the Group	(64,186)	(64,186)	—
Revenue	9,541	2,169	2,677
(Loss)/profit for the year	(16,527)	(3,329)	1,269
Other comprehensive income	—	—	—
Total comprehensive income	(16,527)	(3,329)	1,269
Included in the above loss:			
Depreciation and amortisation charges	1,256	314	—
Interest expenses	2,746	535	—
Reconciled to the Group's interests in joint ventures			
Gross amounts of net (liabilities)/assets of joint ventures	(12,056)	4,472	13,970
Group's effective interest	40.0%	40.0%	50.0%
Group's share of net (liabilities)/assets of joint ventures	(4,822)	1,789	6,985
Goodwill	—	—	24,379
Amounts due from a joint venture	78,450	67,061	—
Carrying amount in the consolidated financial statements	73,628	68,850	31,364



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVESTMENT IN FORTRESS GROUP LIMITED

On 22 March 2014, GM Investment, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sanpower (the “Fortress SPA”) to sell its entire interest in Fortress Group Limited (“Fortress”), a former associate of the Group, representing approximately 27.9% of the issued share capital of Fortress, for a consideration of approximately US\$101,264,000 (equivalent to approximately \$789,859,000) (the “Fortress Disposal”).

Completion of the Fortress SPA is conditional upon, among other things, the satisfaction of certain conditions, including but not limited to the completion of the agreement in relation to the disposal of a controlling shareholding interest in Fortress (the “PAG Agreement”) entered into by PAG Asia I LP (“PAG”), a controlling shareholder of Fortress, and Sanpower.

Upon the completion of the Fortress Disposal, the Group will not hold any interest in Fortress and Fortress will cease to be an associate of the Group. Accordingly, the Group reclassified its interest in an associate as “non-current assets classified as held for sale” and transferred exchange reserve related to the interest in an associate to “amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale” as at 31 March 2014.

Further details of the Fortress Disposal are set out in the Company’s circular dated 12 May 2014.

In July 2014, the Group was informed that the PAG Agreement had not been completed and therefore, Fortress SPA would not proceed as contemplated. The Group had not been informed of the reasons why the PAG Agreement has not completed.

Thereafter, the Group had been informed that a dispute had arisen between two of the shareholders of Fortress. The Group agreed to proceed with the sale of Fortress’ 100% equity interest in Funtalk China Holdings Limited (“Funtalk”, the only operating entity under Fortress) to Sanpower.

In June 2015, GM Investment received a notice from a senior security holder of Fortress of its intention to exercise the put option, pursuant to a shareholder agreement entered into by GM Investment and the other shareholders of Fortress on 25 August 2011, to repurchase the outstanding senior obligation of Fortress. However, as confirmed from the notice, no further claim against GM Investment if GM Investment decides to forfeit and transfer its entire equity interest in Fortress to the said senior security holder of Fortress.

Based on the information available, the Company made an impairment provision of \$759,934,000 on its “non-current assets classified as held for sale” as at 31 March 2015.

Since the receipt of the notice from the senior security holder of Fortress, the Company has taken actions to safeguard its interest, including seeking legal advice and negotiating with relevant parties to reach settlement agreements in order to maximise the recovery of its interest in Fortress. As at 31 March 2016, no definite agreements have been reached.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVESTMENT IN FORTRESS GROUP LIMITED (continued)

On 3 November 2016, GM Investment, PAG and its assignee PAGAC Fortress Holding I Limited (“PAGAC”) and Fortress entered into a conditional settlement agreement (the “PAG Settlement Agreement”), pursuant to which, Fortress authorises GM Investment to receive an unsettled sum in relation to its sale of 100% equity interest in Funtalk to Sanpower of not less than approximately US\$250,000,000 (equivalent to approximately \$1,950,000,000) from Sanpower (the “Fortress Unsettled Sum”). Accordingly, GM Investment agrees to pay a settlement sum of US\$180,000,000 (equivalent to approximately \$1,404,000,000) (the “PAG Settlement Sum”) to PAGAC by instalments within 18 months. PAG will release and waive all of its claims against GM Investment upon receipt of the PAG Settlement Sum.

On 14 November 2016, GM Investment and Sanpower entered into a conditional settlement agreement (the “Sanpower Settlement Agreement”), pursuant to which, Sanpower agrees to pay a settlement sum of US\$300,000,000 (equivalent to approximately \$2,340,000,000) (the “Sanpower Settlement Sum”) to GM Investment by instalments within 36 months as a full and final settlement for the Fortress Unsettled Sum. The first three instalments will be paid in cash, while the remaining two instalments can either be settled by cash or in kind by Sanpower’s investment in securities listed on the Shanghai Stock Exchange, at sole discretion of GM Investment. The obligation of Sanpower to pay the Sanpower Settlement Sum under the Sanpower Settlement Agreement is guaranteed by Mr. Yuan Yafei, the controlling shareholder of Sanpower. Upon receipt of the Sanpower Settlement Sum, GM Investment will release and waive all of its claims against Sanpower, including the claims regarding the Fortress Unsettled Sum and the Fortress SPA.

The PAG Settlement Agreement and the Sanpower Settlement Agreement (together as the “Fortress Settlement Agreements”) were approved by shareholders at the extraordinary general meeting of the Company held on 16 January 2017.

Further details of the Fortress Settlement Agreements are set out in the Company’s announcements dated 3 November 2016, 14 November 2016 and 1 March 2017, respectively, and the Company’s circular dated 23 December 2016.

Upon the execution of the Fortress Settlement Agreements, a financial liability, namely “amounts due to PAGAC” and a financial asset, namely “amounts due from Sanpower”, being the present values of the PAG Settlement Sum and the Sanpower Settlement Sum had been recognised. The difference between the present values of the PAG Settlement Sum and the Sanpower Settlement Sum, being US\$94,170,000 (equivalent to approximately \$734,525,000) at initial recognition had been recognised in the consolidated income statement for the year ended 31 March 2017 under the caption “reversal of impairment loss on investment in Fortress Group Limited”.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVESTMENT IN FORTRESS GROUP LIMITED (continued)

Movements of amounts due from Sanpower and amounts due to PAGAC during the year are set out as below:

	Note	2018		2017	
		Amounts due from Sanpower (notes 21 and 22) \$'000	Amounts due to PAGAC (note 25) \$'000	Amounts due from Sanpower (notes 21 and 22) \$'000	Amounts due to PAGAC (note 25) \$'000
At beginning of the year		1,518,498	(858,000)	—	—
Initial recognition		—	—	2,138,525	(1,404,000)
Interest income	5	117,679	—	3,973	—
Settlements		(429,000)	429,000	(624,000)	546,000
At end of the year		1,207,177	(429,000)	1,518,498	(858,000)
Representing:					
Current portion		827,056	(429,000)	332,135	(429,000)
Non-current portion		380,121	—	1,186,363	(429,000)
		1,207,177	(429,000)	1,518,498	(858,000)

Subsequently, the Group received the third instalment of US\$55,000,000 (equivalent to approximately \$429,000,000) from Sanpower in accordance with the Sanpower Settlement Agreement.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

19 AVAILABLE-FOR-SALE SECURITIES

	Note	2018 \$'000	2017 \$'000
Equity securities			
Listed outside Hong Kong		—	148,678
Unlisted equity securities		2,865	264,860
		2,865	413,538
Fund investments		14,973	99,512
Unlisted debt securities		1,950	18,631
		19,788	531,681
Reclassification to assets of disposal group classified as held for sale	8(b)(i)	—	(453,410)
		19,788	78,271

- (i) As at 31 March 2018, certain unlisted available-for-sale equity securities of the Group were individually determined to be impaired due to the continuous deterioration in financial performance of the investee. Accordingly, an impairment loss of \$38,048,000 was recognised in profit or loss in accordance with the accounting policy set out in note 2(l)(i).
- (ii) During the year ended 31 March 2018, certain equity and debt investments in LFC were individually determined to be impaired as the result of significant and prolonged decline in the share price of LFC below the cost. Accordingly, an impairment loss of \$11,555,000 (2017: \$4,125,000) was recognised in profit or loss in accordance with the accounting policy set out in note 2(l)(i), of which, \$11,555,000 (2017: \$1,182,000) related to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 INVENTORIES

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

	Note	2018 \$'000	2017 \$'000
Non-current			
Capitalised processing costs of donated umbilical cord blood units	(i)	—	76,937
Reclassification to assets of disposal group classified as held for sale	8(b)(i)	—	(76,937)
		—	—
Current			
Raw materials		5,787	29,033
Work in progress		8,882	10,176
Finished goods		17,684	6,558
		32,353	45,767
Reclassification to assets of disposal group classified as held for sale	8(b)(i)	—	(25,191)
		32,353	20,576
		32,353	20,576

- (i) The Group collects, tests, freezes and stores donated umbilical cord blood units for future transplantation or research purposes in return for a fee. Collection, testing and processing costs attributable to the processing of donated umbilical cord blood unit are capitalised as inventories, and recognised as cost of sales when revenue is recognised upon successful match of the donated umbilical cord blood units.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 INVENTORIES (continued)

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

	Note	2018 \$'000	2017 \$'000
Carrying amount of inventories sold and consumed	6(c)		
– continuing operations		56,985	78,604
– discontinued operation		177,893	124,667
		234,878	203,271

21 NON-CURRENT TRADE AND OTHER RECEIVABLES

	Note	2018 \$'000	2017 \$'000
Amounts due from Sanpower	18	380,121	1,186,363
Trade receivables	22	—	152,400
Investment deposits	(i)	404,790	262,544
Prepayments and deposits		—	5,258
		784,911	1,606,565
Reclassification to assets of disposal group classified as held for sale	8(b)(i)	—	(420,202)
		784,911	1,186,363

- (i) As at 31 March 2018, investment deposits represented: (i) a refundable deposit for the Group's proposed acquisition of limited partner interest in Nanjing Ying Peng (note 37), amounting to RMB318,000,000 (equivalent to approximately \$397,400,000), further details are set out in the Company's announcement dated on 4 February 2018; and (ii) a refundable deposit for a proposed acquisition of a property located in Japan amounting to JPY100,000,000 (equivalent to approximately \$7,390,000).

As at 31 March 2017, investment deposit represented a refundable earnest money of \$262,544,000 for a potential healthcare investment related to GCBC, the discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 NON-CURRENT TRADE AND OTHER RECEIVABLES (continued)

Non-current trade receivables and amounts due from Sanpower are due for payments as follows:

	2018	2017		
		Continuing operations	Discontinued operation	Total
	\$'000	\$'000	\$'000	\$'000
Fiscal year ending 31 March				
2019	—	858,000	37,227	895,227
2020	429,000	429,000	33,392	462,392
2021	—	—	29,827	29,827
2022 and thereafter (for 2017)	—	—	27,811	27,811
2023 and thereafter (for 2018)	—	—	146,245	146,245
Less: Unearned interest income	(48,879)	(100,637)	(42,328)	(142,965)
Allowance for doubtful debts	—	—	(79,774)	(79,774)
	380,121	1,186,363	152,400	1,338,763
Reclassification to assets of disposal group classified as held for sale	—	—	(152,400)	(152,400)
	380,121	1,186,363	—	1,186,363

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES

	Note	2018	2017		Total
			Continuing operations	Discontinued operation (note 8(b)(i))	
		\$'000	\$'000	\$'000	\$'000
Trade receivables		32,929	18,989	411,912	430,901
Less: Allowance for doubtful debts	22(b)	(1,292)	(2,433)	(132,614)	(135,047)
		31,637	16,556	279,298	295,854
Representing:					
Non-current portion	21	—	—	152,400	152,400
Current portion		31,637	16,556	126,898	143,454
		31,637	16,556	279,298	295,854
Current trade receivables		31,637	16,556	126,898	143,454
Prepayments and deposits		9,531	7,104	417	7,521
Other receivables		71,045	110,887	20,645	131,532
Amounts due from Sanpower	18	827,056	332,135	—	332,135
Total current trade and other receivables		939,269	466,682	147,960	614,642

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

22 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:

	2018	2017		
		Continuing operations	Discontinued operation	Total
	\$'000	\$'000	\$'000	\$'000
Neither past due nor impaired	26,284	11,330	196,984	208,314
Past due (net of allowance for doubtful debts)				
Within six months	2,858	2,158	21,698	23,856
Between seven and twelve months	1,510	2,547	18,169	20,716
Over one year	985	521	42,447	42,968
	5,353	5,226	82,314	87,540
	31,637	16,556	279,298	295,854

The Group's credit policy is set out in note 33(a).

(b) Impairment of trade receivables

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.

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 (note 2(l)(i)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES (continued)

(b) Impairment of trade receivables (continued)

Movements in allowance for doubtful debts during the year are as follows:

	Note	2018 \$'000	2017 \$'000
At beginning of the year		2,433	3,056
Exchange adjustments		244	(181)
Impairment loss recognised	6(c)	21	349
Uncollectible amounts written-off		(1,406)	(791)
At end of the year		1,292	2,433

23 PLEDGED AND TIME DEPOSITS

	Note	2018 \$'000	2017 \$'000
Time deposits with original maturities over three months		49,988	56,383
Pledged deposits	(i)	966,508	17,617
		1,016,496	74,000

- (i) The balance represented bank deposits of \$966,508,000 (2017: \$17,617,000), which were pledged for certain interest-bearing borrowings (note 26(a) and (b)).

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	Note	2018 \$'000	2017 \$'000
Cash and cash equivalents in the consolidated statement of financial position and cash flow statement		2,795,654	4,397,306
Reclassification to assets of disposal group classified as held for sale	8(b)(i)	—	(3,958,349)
		2,795,654	438,957

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 CASH AND CASH EQUIVALENTS (continued)

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

	Note	2018 \$'000	2017 \$'000
Profit/(loss) before taxation		4,145,498	(123,837)
– from continuing operations		(736,487)	(459,921)
– from discontinued operation	8(b)(iii)	4,881,985	336,084
<i>Adjustments for:</i>			
Impairment loss on trade receivables	6(c)	30,367	34,444
Impairment loss on goodwill	6(c)	—	294,995
Impairment loss on available-for-sale securities	6(c)	49,603	4,125
Depreciation of property, plant and equipment	6(c)	70,786	69,554
Amortisation of land lease premium	6(c)	37,242	36,905
Interest income from bank deposits	5	(17,584)	(15,198)
Interest income from other receivables	5	(117,679)	(3,973)
Interest income from loan to an associate	5	(261)	—
Interest income from loan to a joint venture	5	(3,013)	(535)
Net (gain)/loss on disposal of property, plant and equipment	5	(1,204)	634
Dividend income from available-for-sale securities	5	(816)	—
Finance costs	6(a)	377,055	573,823
Equity settled share-based payment expenses	6(b)	50,219	71,755
Changes in fair value of financial instruments at fair value through profit or loss	6(c)	47,485	13,633
Gain on disposal of subsidiaries	8(b)(v)	(4,501,901)	—
Share of losses of associates		7,897	200
Share of losses of joint ventures		5,976	1,331
Reversal of impairment loss on investment in Fortress Group Limited	18	—	(734,525)
Foreign exchange loss		18,750	—
Effects of foreign exchange rates		(489)	(3,226)
Operating profit before changes in working capital		197,931	220,105
Decrease in trade and other receivables		22,677	2,526
Increase in inventories		(23,351)	(12,509)
Increase/(decrease) in trade and other payables		86,543	(10,773)
Increase in deferred income		363,096	362,347
Cash generated from operations		646,896	561,696

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings \$'000 (note 26)	Other payables \$'000	Obligations under finance leases \$'000 (note 27)	Financial liabilities at fair value through profit or loss \$'000 (note 29)	Total \$'000
At 1 April 2017	2,822,725	19,846	23,020	158,088	3,023,679
Exchange adjustments	—	—	2,106	—	2,106
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings, net of transaction costs	1,118,668	—	—	—	1,118,668
Repayments of interest-bearing borrowings	(837,837)	—	—	—	(837,837)
Capital element of finance leases rentals paid	—	—	(1,662)	—	(1,662)
Interest element of finance leases rentals paid	—	—	(1,813)	—	(1,813)
Interest paid on interest-bearing borrowings	(135,130)	(26,036)	—	—	(161,166)
Payment for redemption of convertible notes	—	—	—	(196,762)	(196,762)
Interest paid on convertible notes	—	—	—	(4,680)	(4,680)
Total changes from financing cash flows	145,701	(26,036)	(3,475)	(201,442)	(85,252)
Other changes:					
Net settlement of interest-bearing borrowings in connection with the disposal of GCBC (note 26(c))	(2,193,615)	—	—	—	(2,193,615)
Finance costs	357,030	7,292	1,813	—	366,135
Changes in fair value of financial liabilities at fair value through profit or loss	—	—	—	43,354	43,354
Exchange loss	18,750	—	—	—	18,750
Total other changes	(1,817,835)	7,292	1,813	43,354	(1,765,376)
At 31 March 2018	1,150,591	1,102	23,464	—	1,175,157

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 TRADE AND OTHER PAYABLES

	Note	2018	2017		Total
		\$'000	Continuing operations \$'000	Discontinued operation (note 8(b)(ii)) \$'000	
Non-current					
Amounts due to PAGAC	18	—	429,000	—	429,000
Other payables and accrued expenses		—	—	340,813	340,813
		—	429,000	340,813	769,813
Current					
Trade payables		8,596	47,866	13,032	60,898
Construction costs payables		9,123	1,617	—	1,617
Amounts due to PAGAC	18	429,000	429,000	—	429,000
Earnest money received from Sanpower		—	340,742	—	340,742
Investment deposit	(i)	312,422	—	—	—
Withholding tax in relation to the disposal of GCBC		720,320	—	—	—
Other payables and accrued expenses		295,575	172,371	72,458	244,829
		1,775,036	991,596	85,490	1,077,086
		1,775,036	1,420,596	426,303	1,846,899

- (i) The balance represented an investment deposit of RMB250,000,000 (equivalent to approximately \$312,422,000) received from a third party for participating in a proposed acquisition in healthcare business.

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

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:

	2018 \$'000	2017 \$'000
Due within three months or on demand	8,596	60,898
Reclassification to liabilities of disposal group classified as held for sale	—	(13,032)
	8,596	47,866

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26 INTEREST-BEARING BORROWINGS

As at 31 March 2018 and 2017, the interest-bearing borrowings were repayable as follows:

	2018 \$'000	2017 \$'000
Within one year or on demand	231,807	2,822,725
After one year but within two years	918,784	—
	1,150,591	2,822,725

As at 31 March 2018 and 2017, the interest-bearing borrowings were secured as follows:

	Note	2018 \$'000	2017 \$'000
Bank loans			
– secured	(a)	1,150,591	—
– unsecured	(b)	—	383,188
		1,150,591	383,188
Secured promissory notes	(c)	—	2,439,537
		1,150,591	2,822,725

(a) Secured bank loans

As at 31 March 2018, the bank borrowings of the Company of \$1,150,591,000 were secured by the Group's interests in leasehold land located in the PRC with an aggregate carrying amount of \$638,196,000 (note 13(b)) and deposits with banks of \$966,508,000 (note 23).



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(Expressed in Hong Kong dollars unless otherwise indicated)



26 INTEREST-BEARING BORROWINGS (continued)

(b) Unsecured bank loans

As at 31 March 2017, the bank loans of the Company of \$383,188,000 (the “Guaranteed Bank Loans”) were guaranteed by five of its subsidiaries, namely China Bright, GMHG, GM Hospital Investment Ventures Company Limited, GM Hospital Management Company Limited and GMSC. The Company entered into an amendment and waiver deed with relevant banks in August 2016, additional security were given in the form of (i) equity pledge by three of the subsidiaries of the Group, namely, Golden Meditech Herbal Treatment (BVI) Company Limited, Qi Jie Yuan Medicine Holding (HK) Limited and Baisuihang and (ii) personal guarantee provided by Mr. Kam. The Guaranteed Bank Loans were measured at amortised cost net of transaction costs paid.

Pursuant to the Guaranteed Bank Loans agreement, the Company shall maintain interest reserve accounts for the Guaranteed Bank Loans and ensure that an amount of not less than twice of the aggregate interest due and payable on the next interest payment date is maintained in the interest reserve accounts. As at 31 March 2017, bank deposits of \$17,617,000 were deposited in the interest reserve accounts as disclosed in note 23. The Guaranteed Bank Loans were fully repaid in April 2017.

(c) Secured promissory notes

On 4 December 2015, COM Company Limited (as issuer), a wholly-owned subsidiary of GMSC, the Company, Mr. Kam and Blue Ocean Structure Investment Company Limited (“Blue Ocean”) entered into a note subscription agreement, pursuant to which, Blue Ocean agreed to subscribe for promissory notes in an aggregate principal amount of up to US\$250,000,000 (equivalent to approximately \$1,950,000,000) (the “Original Promissory Notes”).

In December 2015 and January 2016, COM Company Limited had fully issued the Original Promissory Notes in an aggregate principal amount of US\$250,000,000 (equivalent to approximately \$1,950,000,000) to Blue Ocean, with a term of three years, subject to early redemption provisions and may be extended from three years to four or five years at the sole discretion of Blue Ocean. The Original Promissory Notes bore an interest rate of 5% per annum and would be adjusted to 12% in the events specified under the Original Promissory Notes. Except in certain circumstances, Blue Ocean would be entitled to an annualised internal rate of return equal to: (i) 15% (if the applicable interest rate is 5% during the period); or (ii) 22% (if the applicable interest rate is 12% during the period). Interest received by Blue Ocean would be included as part of its internal rate of return calculation. Subsequently, the issuer of the Original Promissory Notes was changed from COM Company Limited to GMSC and in January 2016, GMSC had fully issued one promissory note in a principal amount of US\$250,000,000 (the “Promissory Note”) on substantially the same terms as, and in replacement of, the Original Promissory Notes.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26 INTEREST-BEARING BORROWINGS (continued)

(c) Secured promissory notes (continued)

The Promissory Note was secured by (i) personal guarantee provided by Mr. Kam, (ii) a guarantee provided by GMSC, (iii) a guarantee provided by the Company and (iv) 38,352,612 ordinary shares of GCBC and convertible notes issued by GCBC with an aggregate principal amount of US\$115,000,000 (equivalent to approximately \$897,000,000), held by GMSC, and if such convertible notes were converted, all ordinary shares of GCBC held by GMSC as a result of the conversion. On 6 April 2017, the convertible notes held by GMSC were fully converted to 40,521,494 ordinary shares of GCBC.

The Promissory Note is initially recognised at fair value less transaction costs. Subsequent to initial recognition, the Promissory Note is stated at amortised costs using the effective interest method.

Further details of the terms of the Promissory Note are set out in the Company's announcements dated 4 December 2015 and 5 January 2016, respectively.

Pursuant to certain terms of the Promissory Note, the Group does not have an unconditional right to defer the settlement of the Promissory Note for at least 12 months after the reporting period. Thus, the Group recorded the Promissory Note as current liabilities as at 31 March 2017.

During the year ended 31 March 2017, the Group failed to meet certain events required in the Promissory Note agreement. Accordingly, the Group engaged in negotiations with Blue Ocean on the redemption of the Promissory Note. As at 31 March 2017, the Group revised its estimates of the timing and amounts of the repayments of the Promissory Note by using a higher internal rate of return of 22% in accordance with the terms and conditions under the Promissory Note. Accordingly, the Group adjusted the carrying amount of the Promissory Note as at 31 March 2017 to reflect revised estimated cash flows with a corresponding loss of \$206,760,000 recognised in finance costs.

During the year ended 31 March 2018, to facilitate the New Agreement and guarantee Nanjing Ying Peng's benefits over the Target GCBC Shares, the Promissory Note was fully redeemed by the Group by way of (i) the payment of US\$70,000,000 (equivalent to approximately \$546,000,000); and (ii) the net settlement of the consideration received by the Group from Nanjing Ying Peng along with the completion of the GCBC Disposal of RMB1,775,293,000 (equivalent to approximately \$2,193,615,000), as agreed among the Group, Nanjing Ying Peng and Blue Ocean.

Movements of the Promissory Note during the year are as follows:

	2018 \$'000	2017 \$'000
At beginning of the year	2,439,537	2,011,151
Interest charged during the year	300,078	525,886
Interest paid during the year	(789,615)	(97,500)
Repayment of principal	(1,950,000)	—
At end of the year	—	2,439,537

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2018 and 2017, the Group had obligations under finance leases repayable as follows:

	2018		2017	
	Present value of 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	3,311	3,322	3,341	3,365
After one year but within two years	2,869	3,124	2,976	3,220
After two years but within five years	7,279	9,373	6,569	8,457
After five years	10,005	18,745	10,134	19,734
	20,153	31,242	19,679	31,411
	23,464	34,564	23,020	34,776
Less: Total future interest expenses		(11,100)		(11,756)
Present value of lease obligations		23,464		23,020

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payables in the consolidated statement of financial position represents:

	Note	2018 \$'000	2017 \$'000
At beginning of the year		61,086	64,134
Exchange adjustments		3,750	(2,512)
Provision for the year	7(a)(i)	13,363	6,072
Tax paid		(11,614)	(6,608)
At end of the year		66,585	61,086

(b) Deferred tax (assets)/liabilities recognised

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

Note	Depreciation/ amortisation allowance in excess of the related depreciation/ amortisation \$'000	Allowance for doubtful debts \$'000	Others \$'000	Total \$'000
At 1 April 2016	143,296	(365)	(7,056)	135,875
Exchange adjustments	(8,820)	23	137	(8,660)
(Credited)/charged to the consolidated income statement	7(a)(i) (3,795)	21	374	(3,400)
At 31 March 2017 and 1 April 2017	130,681	(321)	(6,545)	123,815
Exchange adjustments	14,574	(15)	(128)	14,431
(Credited)/charged to the consolidated income statement	7(a)(i) (4,626)	336	(554)	(4,844)
At 31 March 2018	140,629	—	(7,227)	133,402

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

(ii) Reconciliation to the consolidated statement of financial position is as follows:

	Note	2018 \$'000	2017 \$'000
Net deferred tax assets recognised in the consolidated statement of financial position		(15,028)	(41,042)
Reclassification to assets of disposal group classified as held for sale	8(b)(i)	—	27,624
		(15,028)	(13,418)
Net deferred tax liabilities recognised in the consolidated statement of financial position		148,430	137,233
		133,402	123,815

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of \$1,542,348,000 (2017: \$1,475,752,000), of which, \$nil relates to the discontinued operation (2017: \$229,000), 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 \$706,348,000 (2017: \$860,978,000), of which, \$nil relates to the discontinued operation (2017: \$229,000), do not expire under the current tax legislation, while cumulative tax losses amounting to \$836,000,000 (2017: \$614,774,000) will expire in five years under the current tax legislation.

(d) Deferred tax liabilities not recognised:

As at 31 March 2018 and 2017, nil deferred tax liabilities have been recognised in respect of the withholding tax payable on the distribution of the retained earnings 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(d) Deferred tax liabilities not recognised: (continued)

As at 31 March 2018, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to \$738,803,000 (2017: \$2,464,475,000), of which, \$nil relates to the discontinued operation (2017: \$1,420,533,000). Deferred tax liabilities of \$73,880,000 (2017: \$246,447,000), of which, \$nil relates to the discontinued operation (2017: \$182,546,000), have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained earnings 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.

29 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March 2018 and 2017, the financial liabilities at fair value through profit or loss recognised in the consolidated statement of financial position represent the convertible notes issued by the Company.

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

	Note	2018 \$'000	2017 \$'000
At beginning of the year		158,088	155,339
Interest paid on convertible notes		(4,680)	(9,360)
Changes in fair value of financial liabilities at fair value through profit or loss	6(c)	43,354	12,109
Redemption of convertible notes		(196,762)	—
At end of the year		—	158,088

(a) Convertible notes issued by the Company

On 22 October 2014, the Company entered into a convertible notes subscription agreement with Gem Power International Limited ("Gem Power"), which is indirectly owned by CCB International (Holdings) Limited, for the issuance of a principal amount of US\$20,000,000 (equivalent to approximately \$156,000,000), redeemable convertible notes due 2017. In November 2014, the Company received net proceeds of \$155,220,000, net of handling fee of \$780,000. The notes bear interest at 5% per annum and are guaranteed by five subsidiaries of the Company (the "Guarantors"), namely China Bright, GMHG, GM Hospital Investment Ventures Company Limited, GM Hospital Management Company Limited and GMSC.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

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

The rights of the noteholders to convert the notes into Shares are as follows:

- Conversion rights are exercisable at any time up to maturity at the noteholders' option; and
- If a noteholder exercises his/her conversion rights, the Company is required to deliver its ordinary shares initially at \$1.40 per Share, subject to adjustments under certain terms and conditions of the convertible notes.

On 15 July 2015 and 26 October 2015, following the completion of a placing of Shares and an open offer, the conversion price was adjusted to \$1.372 per Share and \$1.33 per Share, respectively.

On 27 October 2016, the Company, Gem Power and the Guarantors entered into a deed of variation, pursuant to which the Company and Gem Power have agreed to vary certain terms and conditions of the original subscription agreement and the convertible notes, including the reduction of the conversion price to \$1.10 per Share and the adjustment of certain financial covenants. In addition, the Company agreed to pay a fee of US\$600,000 (equivalent to approximately \$4,680,000) to Gem Power, which was recognised in finance costs during the year ended 31 March 2017 as consideration to Gem Power for entering into the deed of variation.

On 13 November 2017, the Company redeemed the convertible notes by cash at a total amount of US\$25,226,000 (equivalent to approximately \$196,762,000), being the aggregate principal amount plus a premium representing an internal rate of return of 12% per annum on the principal amount of the convertible notes together with all accrued and outstanding interest, payment and fee, as of the maturity date of the convertible notes in accordance with the convertible notes subscription agreement.

The excess of the fair value of the convertible notes upon initial recognition determined using unobservable inputs over the transaction price of \$37,143,000 was recognised in the Group's profit or loss for the year ended 31 March 2018.

Further details of the convertible notes, the conversion price adjustments, the amendments of terms and conditions to the convertible notes and the redemption are set out in the Company's announcements dated 22 October 2014, 15 July 2015, 23 October 2015, 27 October 2016 and 13 November 2017.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

(b) Convertible notes issued by GCBC

On 27 April 2012 and 3 October 2012, GCBC issued convertible notes with a face value of US\$65,000,000 (equivalent to approximately \$507,000,000) and US\$50,000,000 (equivalent to approximately \$390,000,000) with maturity dates of 27 April 2017 and 3 October 2017, respectively. Both notes bear interest at 7% per annum and are unsecured.

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

- Conversion rights are exercisable at any time up to maturity at the noteholders' option;
- If a noteholder exercises his/her conversion rights, GCBC is required to deliver GCBC's ordinary shares initially at US\$2.838 per ordinary share, subject to adjustments under certain terms and conditions of the convertible notes; and
- Unless previously redeemed or converted, the convertible notes issued by GCBC will be redeemed at face value on 27 April 2017 and 3 October 2017, respectively.

As at 31 March 2017, GMSC was the sole noteholder of the convertible notes issued by GCBC with an aggregate principal amount of US\$115,000,000 (equivalent to approximately \$897,000,000) after several acquisitions and disposals of the convertible notes issued by GCBC.

On 6 April 2017, GMSC issued notices to GCBC to convert the convertible notes issued by GCBC in full into 40,521,494 ordinary shares of GCBC. Following the conversion, GMSC held an aggregate of 78,874,106 ordinary shares of GCBC, representing approximately 65.4% of the entire issued and outstanding share capital of GCBC.

The conversion was deemed as acquisition of equity interest of GCBC and was treated as transactions within the shareholders of GCBC in their capacity as equity holders.

Accordingly, \$539,206,000, being the excess of fair value of convertible notes over the carrying value of share of net assets acquired, was charged to other reserve and credited to NCI. Exchange reserve and fair value reserve of (\$12,196,000) and \$19,781,000 were released to other reserve, respectively.

Further details of the terms and conditions of the convertible notes and the Conversion are set out in the Company's announcements dated 18 September 2012 and 6 April 2017.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 DEFERRED INCOME

Deferred income represents prepaid cord blood stem cell examination, processing, separation and storage fees received from customers for which the related services are expected to be rendered within one year or after one year from the reporting date.

	Note	2018 \$'000	2017 \$'000
Prepayments by customers prior to completion of cord blood stem cell processing service		—	146,459
Unearned storage fees		—	1,988,786
		—	2,135,245
Reclassification to liabilities of disposal group classified as held for sale	8(b)(ii)	—	(2,135,245)
		—	—
Representing:			
Current		—	365,310
Non-current		—	1,769,935
		—	2,135,245
Reclassification to liabilities of disposal group classified as held for sale	8(b)(ii)	—	(2,135,245)
		—	—

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS

(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 components of equity between the beginning and end of the year are set out below:

	Note	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Capital reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 April 2016		593,228	3,293,087	11,679	20,008	576,806	4,494,808
Changes in equity for the year ended 31 March 2017:							
Total comprehensive income for the year		—	—	—	—	(190,531)	(190,531)
Cancellation of share options	32(a)	—	—	—	(9,341)	9,341	—
Balance at 31 March 2017 and 1 April 2017		593,228	3,293,087	11,679	10,667	395,616	4,304,277
Changes in equity for the year ended 31 March 2018:							
Total comprehensive income for the year		—	—	—	—	(262,871)	(262,871)
Repurchase and cancellation of own shares	31(b)(ii)	(9,842)	(49,017)	9,842	—	(9,842)	(58,859)
Special dividend approved and paid during the year	31(d)	—	(875,080)	—	—	—	(875,080)
Cancellation of share options	32(a)	—	—	—	(10,667)	10,667	—
Balance at 31 March 2018		583,386	2,368,990	21,521	—	133,570	3,107,467

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

	Note	2018		2017	
		Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Authorised:					
Ordinary shares of par value of \$0.20 each	(i)	5,000,000	1,000,000	5,000,000	1,000,000
Issued and fully paid:					
At beginning of the year		2,966,140	593,228	2,966,140	593,228
Repurchase and cancellation of own shares	(ii)	(49,208)	(9,842)	—	—
At end of the year		2,916,932	583,386	2,966,140	593,228

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

(i) *Authorised share capital*

The authorised share capital of the Company is \$1,000,000,000, divided into 5,000,000,000 Shares.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital (continued)

(ii) *Repurchase and cancellation of own shares*

At the meeting of the board of directors of the Company held on 30 October 2017, the board of directors approved the application of the Company to voluntarily withdraw the listing of the TDRs from the Taiwan Stock Exchange (the “Voluntary Delisting Application”) and the Company shall repurchase any outstanding TDRs at the price of TWD4.45 (approximately \$1.15) per TDR. On 22 November 2017, the Voluntary Delisting Application was approved by the Taiwan Stock Exchange and became effective on 13 December 2017. On 31 January 2018, the Company repurchased a total of 49,207,566 TDRs at an aggregate repurchase price of TWD218,974,000 (equivalent to approximately \$58,859,000) which includes related expenses of \$308,000. All these repurchased shares have been cancelled on 27 March 2018 thereafter. 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 \$9,842,000 was transferred from retained earnings to capital redemption reserve. The premium paid on the repurchase of the shares of \$49,017,000 was charged to the share premium account.

(c) Reserves

Nature and purpose of reserves:

(i) *Share premium*

Under the Companies Law 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 and restricted share units granted to employees of the Group and the Company recognised in accordance with the accounting policy adopted for share-based payments in note 2(s)(ii).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)



31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Reserves (continued)

(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.

(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(w).

(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(g).

(viii) *Other reserves*

The followings are charged/credited to other reserves:

- (1) the excess of purchase consideration on acquisition of non-controlling interests over the carrying value of share of net assets acquired;
- (2) gain/loss on acquisition or dilution of interests in subsidiaries where the Group's interest in a subsidiary is increased/decreased without losing control; and
- (3) changes in amortised costs of share repurchase obligations.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Dividends and distributability of reserves

Following the completion of the disposal of GCBC (note 8), at the meeting of the board of directors of the Company held on 13 February 2018, the board of directors resolved the payment of a special dividend of \$0.3 per Share in cash. The special dividend of \$875,080,000 was fully paid on 26 March 2018. Further details of the special dividend are set out in the Company's announcement dated 13 February 2018.

The board of directors of the Company did not recommend the payment of a final dividend for the years ended 31 March 2018 and 2017.

At 31 March 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was \$2,502,560,000 (2017: \$3,688,703,000).

(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 the aggregate of interest-bearing 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 2018, the Group's strategy, which was unchanged from 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management (continued)

The debt-to-capital ratios at 31 March 2018 and 2017 were as follows:

	Note	2018 \$'000	2017 \$'000
Interest-bearing borrowings	26	1,150,591	2,822,725
Obligations under finance leases	27	23,464	23,020
Financial liabilities at fair value through profit or loss	29	—	158,088
Total debt		1,174,055	3,003,833
Total equity		5,553,942	4,030,827
Debt-to-capital ratio		21.14%	74.52%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme of the Company

The Company adopted a share option scheme on 30 March 2005 (the "Share Option Scheme") to recognise the contribution of directors and employees of the Company and its affiliates by granting share options to them as incentives or rewards. The Share Option Scheme was terminated on 16 June 2009, however, in respect of the options which remained exercisable on the said dates of termination, they shall continue to be exercisable for a period of 10 years commencing from the date of grant, subject to the provisions of the Share Option Scheme as applicable.

On 7 January 2017, on behalf of the Magnum Opus 3 International Holdings Limited (the "Offeror"), China Minsheng Banking Corp., Ltd. made a general cash offers to acquire all the issued Shares of the Company (the "Share Offer"), all the outstanding convertible notes issued by the Company (the "Convertible Notes Offer") and to cancel all the outstanding options of the Company (the "Option Offer"). Pursuant to the terms of the Share Option Scheme, if a general offer is made to all the shareholders and such offer becomes or is declared to be unconditional during the option period, the independent option holders shall be entitled to exercise the share options to the full extent at any time thereafter and up to the close of such offer. All unexercised share options shall lapse upon the close of such offer.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme of the Company (continued)

In April 2017, all the remaining unexercised share options which were convertible to 13,976,289 Shares has lapsed. Accordingly, the amounts previously recognised in the capital reserve of \$10,667,000 (2017: \$9,341,000) in respect of these cancelled share options were released to retained earnings in accordance with the Group's accounting policies set out in note 2(s)(ii).

(b) RSU scheme of GCBC

At the annual general meeting of GCBC held on 18 February 2011 (the "Adoption Date"), the shareholders of GCBC approved a RSU scheme for the purpose of attracting and retaining skilled and experienced personnel. Certain administrative provisions of the RSU scheme were subsequently amended by the board of directors of GCBC in August 2014.

The grant of RSUs under the RSU scheme was then approved by shareholders of the Company at the extraordinary general meeting held on 21 October 2014. On 15 December 2014 and 22 May 2017 (the "Grant Dates"), GCBC granted 7,300,000 RSUs and 1,000,000 RSUs, respectively, to eligible directors and employees (the "RSU Grantees") under the RSU scheme.

The RSUs will be vested in whole at any time during its valid period, subject to the fulfilment of certain operational and/or financial performance targets as set by the board of directors or relevant committee of the board of GCBC, and may be amended from time to time.

Upon vesting, each RSU shall be entitled to transfer of one ordinary share of GCBC.

The RSUs are vested only if the RSU Grantees remained employed by GCBC. The RSU Scheme will be valid and effective for a period of ten years commencing from the Adoption Date of the RSU Scheme.

During the period from 1 April 2017 to 31 January 2018, a RSU Grantee resigned from GCBC, who was granted 1,000,000 RSUs. The 1,000,000 RSUs were forfeited and accordingly \$22,542,000 were credited to the profit or loss for the period from 1 April 2017 to 31 January 2018 in accordance with the Group's accounting policies set out in note 2(s)(ii). In May 2017, GCBC newly granted 1,000,000 RSUs to existing RSU Grantees. As at 31 January 2018, there were 7,300,000 RSUs outstanding and unexercisable.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)



32 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) RSU scheme of GCBC (continued)

(i) *Shares held for RSU scheme*

On 15 December 2014, GCBC established a trust (the “Trust”) to facilitate the operation of the RSU scheme and to hold ordinary shares for the benefit of the RSU Grantees as a class. The Trust is administered by a trustee (the “Trustee”) pursuant to the deed of settlement entered into between GCBC and the Trustee on the same day. On the same date, out of 7,300,000 RSUs granted, 7,080,000 ordinary shares were issued by GCBC and deposited into the Trust. Such ordinary shares will be transferred to the respective RSU Grantees (or their designated nominees) when the vesting conditions are fulfilled and upon the confirmation of the board of directors of GCBC.

(ii) *Fair value of RSUs*

The fair value of each RSU granted on 15 December 2014 and 22 May 2017 are US\$4.15 and US\$7.68, respectively, which were based on the market price of the ordinary shares of GCBC at the Grant Dates.

(iii) *Expected retention rate of grantees and equity settled share-based payment expenses*

Management estimates the expected yearly percentage of the RSU Grantees that will stay within GCBC at the end of the vesting period (the “Expected Retention Rate”) in order to determine the amount of equity settled share-based payment expenses to be recognised in the consolidated income statement. As at 31 January 2018, the Expected Retention Rate of the RSU Grantees was assessed to be 100% (2017: 100%).

For the period from 1 April 2017 to 31 January 2018, equity settled share-based payment expenses in relation to the RSUs of approximately US\$6,438,000 (equivalent to approximately \$50,219,000) (including abovementioned reversal of share-based payment expenses of \$22,542,000 due to the forfeit of RSUs), were recognised in the consolidated income statement (2017: US\$9,199,000 (equivalent to approximately \$71,755,000)).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 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'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 trade and other 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 rendered. A regular review is carried out and follow up actions are taken on overdue amounts to minimise the Group's exposure to credit risk. Cash at bank and time deposits are placed with licensed financial institutions with high credit ratings. The Group also monitors the exposure to each financial institution.

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 end of the year, the Group has certain concentration of credit risk as 28% (2017: 50%) and 62% (2017: 73%) of the trade receivables were due from the Group's largest customer and the five largest customers respectively.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in notes 21 and 22.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 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 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 are required to pay.

For certain interest-bearing borrowings subject to certain clauses which can be exercised at the lenders' sole discretion, the analysis shows the cash outflows based on the contractual repayment schedules and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Note	2018				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	Over 5 years \$'000		
Trade and other payables	25	1,775,036	—	—	—	1,775,036	1,775,036
Interest-bearing borrowings	26	271,284	937,655	—	—	1,208,939	1,150,591
Obligations under finance leases	27	3,322	3,124	9,373	18,745	34,564	23,464
		2,049,642	940,779	9,373	18,745	3,018,539	2,949,091

	Note	2017				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	Over 5 years \$'000		
Trade and other payables	25	991,596	429,000	—	—	1,420,596	1,420,596
Interest-bearing borrowings	26	2,889,865	—	—	—	2,889,865	2,822,725
Obligations under finance leases	27	3,365	3,220	8,457	19,734	34,776	23,020
Convertible notes	29	195,963	—	—	—	195,963	158,088
		4,080,789	432,220	8,457	19,734	4,541,200	4,424,429

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks, amounts due from third parties and joint ventures, interest-bearing borrowings 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. 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.

(i) Interest rate profile

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

	2018		2017	
	Effective interest rate %	\$'000	Effective interest rate %	\$'000
Fixed rate instruments:				
Pledged and time deposits	2.31	1,016,496	1.48	56,383
Amounts due from an associate	9.00	7,779	—	—
Amounts due from Sanpower	7.73	1,207,177	7.73	1,518,498
Interest-bearing borrowings	—	—	16.48	(2,439,537)
Obligations under finance leases	8.87	(23,464)	8.86	(23,020)
		2,207,988		(887,676)
Variable rate instruments:				
Pledged deposits	—	—	0.01	17,617
Cash and cash equivalents	0.34	2,795,654	0.15	438,957
Amount due from a joint venture	4.69	76,666	3.80	64,186
Interest-bearing borrowings	3.98	(1,150,591)	4.88	(383,188)
		1,721,729		137,572
		3,929,717		(750,104)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)



33 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 2018, with all other variables held constant, would have increased/decreased the Group's profit after tax by approximately \$10,317,000/\$10,317,000, and increased/decreased retained earnings by approximately \$10,232,000/\$10,232,000 and increased/decreased non-controlling interests approximately by \$85,000/\$85,000 respectively (2017: decreased/increased the Group's loss after tax by approximately \$1,035,000/\$1,035,000, and increased/decreased retained earnings by approximately \$930,000/\$930,000 and increased/decreased non-controlling interests approximately by \$105,000/\$105,000 respectively).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) 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 loss after tax (and retained earnings) 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 2017.

(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 ("RMB"), Hong Kong Dollars ("HK\$") and United States Dollars ("US\$"). With the natural hedging of the revenue and costs denominated in RMB, 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 US\$, AUD, RMB, SGD and JPY. As HK\$ is pegged to US\$, the Company does not expect any significant movements in the US\$/HK\$ exchange rate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure 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 at the end of the reporting period:

Exposure to foreign currencies (expressed in Hong Kong dollars)

	2018				
	JPY \$'000	US\$ \$'000	RMB \$'000	SGD \$'000	AUD \$'000
Cash at banks	—	15,030	1,949	—	—
Amounts due from an associate	—	—	—	7,963	—
Amounts due from a joint venture	—	78,450	—	—	—
Available-for-sale securities	—	16,923	—	—	2,865
Trade and other receivables	—	1,207,177	—	—	—
Trade and other payables	—	(429,000)	—	—	—
Interest-bearing borrowings	—	(546,000)	(374,906)	—	—
Overall net exposure	—	342,580	(372,957)	7,963	2,865

	2017				
	JPY \$'000	US\$ \$'000	RMB \$'000	SGD \$'000	AUD \$'000
Cash at banks	—	240,646	17,811	—	—
Pledged and time deposits	—	16,385	1,232	—	—
Amounts due from a joint venture	—	64,186	—	—	—
Available-for-sale securities	35,049	23,544	—	16,681	2,997
Trade and other receivables	6,950	1,518,498	—	1,847	—
Trade and other payables	—	(936,000)	—	—	—
Interest-bearing borrowings	—	(2,806,137)	(16,588)	—	—
Convertible notes	—	(158,088)	—	—	—
Overall net exposure	41,999	(2,036,966)	2,455	18,528	2,997

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 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 profits after tax (and retained earnings) 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 HK\$ and US\$ would be materially unaffected by any changes in movement in value of US\$ against other currencies.

	2018			2017		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings \$'000	Effect on other components of equity \$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings \$'000	Effect on other components of equity \$'000
RMB	5% (5%)	(18,648) 18,648	— —	5% (5%)	123 (123)	— —
SGD	5% (5%)	398 (398)	— —	5% (5%)	— —	834 (834)
AUD	5% (5%)	— —	143 (143)	5% (5%)	— —	150 (150)
JPY	5% (5%)	— —	— —	5% (5%)	348 (348)	1,752 (1,752)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/(loss) after tax and equity measured in the respective functional currencies, translated into HK\$ 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 2017.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at end of the year on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair values measured using only Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

	Fair value at 31 March 2018 \$'000	Fair value measurements at 31 March 2018 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets:				
Derivative financial assets				
– Warrant issued by an associate	1,598	—	—	1,598

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 March 2017 \$'000	Fair value measurements at 31 March 2017 categorised into		
		Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000
Assets:				
Available-for-sale securities	18,806	175	—	18,631
Derivative financial assets				
– Warrant issued by an associate	5,729	—	—	5,729
Liabilities:				
Financial liabilities at fair value through profit or loss				
– Convertible notes	158,088	—	—	158,088

During the years ended 31 March 2018 and 2017, there was no transfer between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements

The estimates of the fair value of the convertible notes issued by the Company and the Cellenkos Warrant are measured using a binomial lattice model and Black-Scholes model, respectively with the following assumptions:

	2017 Issued by the Company	
Convertible notes		
Share price		\$1.26
Expected volatility		21.54%
Expected dividends		0.00%
Risk-free interest rate		0.95%
	2018 Issued by an associate	2017 Issued by an associate
Warrant		
Share price	US\$2.473	US\$2.905
Expected volatility	59.34%	61.55%
Expected dividends	0.00%	0.00%
Risk-free interest rate	1.63%	0.73%

The movements during the year of the convertible notes issued by the Company and the Cellenkos Warrant are disclosed in notes 29 and 16, respectively.

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2018 and 2017 except for the following financial instruments:

- (1) Amounts due from/to subsidiaries 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 and debt securities of \$19,788,000 (2017: \$61,415,000) 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 end of the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

34 COMMITMENTS

- (a) Capital commitments for the acquisition of property, plant and equipment outstanding at 31 March 2018 and 2017 not provided for in the financial statements were as follows:

	2018 \$'000	2017 \$'000
Contracted for	526	1,635

- (b) As at 31 March 2018 and 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 \$'000	2017 \$'000
Within 1 year	19,522	15,546
After 1 year but within 5 years	16,693	11,609
	36,215	27,155

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 term of properties of the Group situated on land held under operating leases are disclosed in note 13(d).

35 EMPLOYEE RETIREMENT BENEFITS

The Group 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 and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$30,000. Contributions to the plan vest immediately.

As stipulated by the labour regulations of the PRC, the Group also participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at approximately 20% of the eligible employees' salaries for the year ended 31 March 2018.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

35 EMPLOYEE RETIREMENT BENEFITS (continued)

As disclosed in note 9, the Company also granted the Retirement Benefits Scheme to the directors of the Company.

The Group has no other significant obligation for the payment of its employees' retirement and other post-retirement benefits other than the contributions described above.

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) 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.

(b) Transactions with related companies

(i) Transactions with directors of the Company

As disclosed in note 17, on 28 February 2018, the Group and Magnum Opus, which is wholly owned by Mr. Kam, the Chairman of the Company, acquired 50% equity interest in ASA from the ASA Vendor at a cash consideration of JPY425,000,000 each (equivalent to approximately \$30,730,000 at payment date).

As disclosed in note 16, the Group lent a loan to a subsidiary of LFC with a principal amount of SGD1,300,000 (equivalent to approximately \$7,779,000), for a period of 3 years at 9% per annum, which is guaranteed by Mr. Kong, an executive director of the Company.

(ii) Financing arrangement with joint ventures and associates

As disclosed in note 17, as at 31 March 2018, the Group provided financing to a subsidiary of GM Javadi with a principal amount of \$76,666,000, which included a loan with a principal of US\$8,229,000 (equivalent to approximately \$64,186,000) for a period of 5 years at the United States prime rate and advances to GM Javadi of US\$1,600,000 (equivalent to approximately \$12,480,000) with no planned settlement schedule. During the year ended 31 March 2018, interest income from the loan to GM Javadi was \$3,013,000 (2017: \$535,000).

As disclosed in note 16, on 6 November 2017, the Group entered into a loan facility agreement with a subsidiary of LFC, pursuant to which, the Group granted to LFC a revolving credit facility for an aggregate amount of up to SGD5,000,000 (equivalent to approximately \$29,918,000) for a period of 3 years at 9% per annum. As at 31 March 2018, the subsidiary of LFC has drawn-down SGD1,300,000 (equivalent to approximately \$7,779,000). During the year ended 31 March 2018, interest income from the loan to the subsidiary of LFC was \$261,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

36 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Applicability of the Listing Rules relating to connected transactions

The related party transaction in respect of note 36(b) above constitutes connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section "Report of the directors".

The related party transaction in respect of the directors' remuneration constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 31 January 2018, Hengqin Long Xi II Investment Center (Limited Partnership)* (Chinese name as 橫琴隆璽貳號投資中心(有限合夥) herein referred to as the "Vendor"), Nanjing Ying Peng Asset Management Co., Ltd.* (Chinese name as 南京盈鵬資產管理有限公司 herein referred to as "Ying Peng Asset Management") and Shanghai Guotai Junan Haojing Investment Management Limited* (Chinese name as 上海國泰君安好景投資管理有限公司 herein referred to as "Guotai Junan") (as guarantors) and GM Shanghai, a wholly-owned subsidiary of the Company, entered into a transfer agreement (the "LP Transfer Agreement"), pursuant to which, the Vendor conditionally agreed to sell, and GM Shanghai conditionally agreed to acquire, the capital of RMB1,060,000,000 contributed by the Vendor to Nanjing Ying Peng, together with the corresponding powers, rights and interests in Nanjing Ying Peng (the "LP Interest"), at a consideration which shall not exceed RMB1,127,172,055.

In accordance with the LP Transfer Agreement, the Group paid RMB318,000,000 (equivalent to approximately \$394,933,000 at payment date) to the Vendor as a refundable deposit, which was recognised as a non-current receivable (note 21).

On 31 January 2018, Ying Peng Asset Management, Guotai Junan, the Vendor and the Company entered into a framework agreement (the "GP Framework Agreement"), pursuant to which, subject to Guotai Junan and the Company having entered into a legally binding agreement in relation to an arrangement under the GP Framework Agreement, Ying Peng Asset Management and Guotai Junan agreed, subject to the relevant laws and regulations and the approval procedures of Nanjing Ying Peng, to use their best endeavors to procure, all partners of Nanjing Ying Peng to agree to the Company becoming a general partner of Nanjing Ying Peng and be appointed as a fund manager of Nanjing Ying Peng.

As at 31 March 2018 and the date of this report, the LP Transfer Agreement and the GP Framework Agreement have yet to be completed. Further details of the LP Transfer Agreement and the GP Framework Agreement are set out in the Company's announcement dated 4 February 2018.

38 CONTINGENT LIABILITIES

As disclosed in note 8, in connection the New Agreement, GMSC and Nanjing Ying Peng entered into the New Profit Compensation Agreement, pursuant to which, the Group guaranteed GCBC's net profit for the three years ending 31 December 2018. If GCBC fails to meet the Guaranteed GCBC Net Profit, the Group is required to pay a compensation by cash in accordance with the formula under the New Profit Compensation Agreement. The directors of the Company estimated that GCBC would achieve the Guaranteed GCBC Net Profit during the commitment periods, thus no provision in relation to such profit guarantee compensation was provided as at 31 March 2018.

* English name is for identification purpose only.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Property, plant and equipment		314	343
Interests in subsidiaries		4,143,671	4,606,383
Interests in an associate		26,027	32,311
Amounts due from a joint venture		78,450	67,061
		4,248,462	4,706,098
Current assets			
Derivative financial assets		1,598	5,729
Other receivables		8,177	269,090
Pledged and time deposits		—	17,617
Cash and cash equivalents		81,367	243,591
		91,142	536,027
Current liabilities			
Other payables		81,546	396,572
Interest-bearing borrowings		231,807	383,188
Financial liabilities at fair value through profit or loss		—	158,088
		313,353	937,848
Net current liabilities		(222,211)	(401,821)
Total assets less current liabilities		4,026,251	4,304,277
Non-current assets			
Interest-bearing borrowings		918,784	—
NET ASSETS		3,107,467	4,304,277
CAPITAL AND RESERVES	31(a)		
Share capital		583,386	593,228
Reserves		2,524,081	3,711,049
TOTAL EQUITY		3,107,467	4,304,277

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

40 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2018, the directors consider the immediate parent and ultimate controlling party of the Group to be Bio Garden Inc., which is incorporated in BVI. This entity does not produce financial statements available for public use.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2018 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
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
Amendments to HKFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
HK(IFRIC) 22, <i>Foreign currency transactions and advance consideration</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019
HK(IFRIC) Interpretation 23, <i>Uncertainty over income tax treatments</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the assessment completed to date is based on the information currently available to the Group, the actual impacts upon the initial adoption of the standards may differ, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 April 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

HKFRS 9, Financial instruments (continued)

(a) *Classification and measurement (continued)*

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities and funds currently measured at cost less impairment losses. The Group plans to classify the investments held as at FVTPL under HKFRS 9 on 1 April 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. The Group is in the process of making an assessment of what the impact on the available-for-sale investments is expected to be on adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) *Impairment*

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

HKFRS 15, Revenue from contracts with customers (continued)

Based on the assessment completed to date, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(v). Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

HKFRS 15, Revenue from contracts with customers (continued)

(b) Significant financing component (continued)

Advance payments are not common in the Group arrangements with its customers, and the length of time between the payment date and the completion date of legal assignment (i.e. the date when the customers obtain control of the goods) is usually a few months.

The Group has assessed that this component in the Group's advance payment schemes is not likely to be significant to the contract.

(c) Sales with a right of return

Currently when the customers are allowed to return or exchange the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. Since the number of "open" contracts for sales of goods at 31 March 2018 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of HKFRS 15 will not be material.

HKFRS 16, Leases

As disclosed in note 2(k), currently the Group classifies leases into operating leases and accounts for the lease arrangements according to the nature of the lease. The Group enters into some leases as the lessor and others as the lessee.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

HKFRS 16, Leases (continued)

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 34(b), at 31 March 2018 the Group’s future minimum lease payments under non-cancellable operating leases amount to \$36,215,000 for properties and other assets, the majority of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has not yet decided whether it will choose to take advantage of this practical expedient, and which transition approach to be taken.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published financial information of the Group, re-presented as appropriate, is set out below:

RESULTS

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2018 HK\$'000
Revenue	380,872	269,582	281,558	230,666	250,719
Loss from operations	(632,807)	(34,862)	(265,240)	(312,168)	(298,074)
Finance costs	(60,066)	(66,284)	(144,467)	(572,119)	(377,055)
Changes in fair value of financial instruments at fair value through profit or loss	(105,472)	8,551	(17,250)	(13,633)	(47,485)
Loss on deemed disposal of partial interest in an associate	(33,072)	—	—	—	—
Share of losses in associates and joint ventures	(21,359)	—	—	(1,531)	(13,873)
(Impairment loss)/reversal of impairment loss on investment in Fortress Group Limited	—	(759,934)	—	734,525	—
Impairment loss on goodwill	—	—	—	(294,995)	—
Loss before taxation	(852,776)	(852,529)	(426,957)	(459,921)	(736,487)
Income tax credit/(expense)	106,665	(18,442)	(4,327)	(2,672)	(8,519)
Loss for the year from continuing operations	(746,111)	(870,971)	(431,284)	(462,593)	(745,006)
Profit/(loss) for the year from discontinued operation	33,247	(10,466)	(357,268)	291,399	4,108,092
Attributable to:					
Equity shareholders of the company					
— continuing operations	(574,544)	(863,747)	(405,561)	(436,770)	(707,605)
— discontinued operation	145,463	57,887	(280,951)	289,649	4,106,754
	(429,081)	(805,860)	(686,512)	(147,121)	3,399,149
Non-controlling interests					
— continuing operations	(171,567)	(7,224)	(25,723)	(25,823)	(37,401)
— discontinued operation	(112,216)	(68,353)	(76,317)	1,750	1,338
	(283,783)	(75,577)	(102,040)	(24,073)	(36,063)
(Loss)/profit for the year	(712,864)	(881,437)	(788,552)	(171,194)	3,363,086

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 March				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Property, plant and equipment	3,646,819	3,774,974	2,891,516	2,688,760	2,785,146
Intangible assets	167,904	161,876	—	—	—
Goodwill	579,246	582,365	491,410	168,318	182,291
Interests in associates	—	—	—	32,311	40,941
Interests in joint ventures	—	—	—	68,850	104,992
Available-for-sale securities	519,012	483,139	96,189	78,271	19,788
Inventories	60,212	73,074	—	—	—
Trade and other receivables	550,523	508,673	—	1,186,363	784,911
Deferred tax assets	13,588	18,261	13,967	13,418	15,028
	5,537,304	5,602,362	3,493,082	4,236,291	3,933,097
Current assets	4,075,841	4,552,024	1,113,697	1,005,944	4,785,370
Assets of disposal group classified as held for sale	—	—	5,686,204	5,986,102	—
Total assets	9,613,145	10,154,386	10,292,983	11,228,337	8,718,467
Current liabilities	(1,501,496)	(1,051,296)	(3,118,639)	(4,036,836)	(2,076,739)
Liabilities of disposal group classified as held for sale	—	—	(2,377,303)	(2,574,384)	—
Total assets less current liabilities	8,111,649	9,103,090	4,797,041	4,617,117	6,641,728
Non-current liabilities	(2,261,165)	(4,466,839)	(328,555)	(586,290)	(1,087,786)
Net assets	5,850,484	4,636,251	4,468,486	4,030,827	5,553,942
Attributable to:					
Equity shareholders of the Company	4,492,861	3,589,275	3,672,800	3,323,940	5,475,562
Non-controlling interests	1,357,623	1,046,976	795,686	706,887	78,380
TOTAL EQUITY	5,850,484	4,636,251	4,468,486	4,030,827	5,553,942

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. KAM Yuen (*Chairman*)
Mr. KONG Kam Yu
Mr. FENG Wen (re-designated as an Executive Director
on 26 April 2018)

NON-EXECUTIVE DIRECTORS

Ms. ZHENG Ting

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. CAO Gang
Mr. GAO Yue (re-designated as an Independent
Non-Executive Director on 26 April 2018)
Prof. GU Qiao
Mr. Daniel FOA

REGISTERED OFFICE

Estera Trust (Cayman) Limited
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75 Fort Street Grand Cayman
KY1-1108 Cayman Islands

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Beijing, 100176 China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

48/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 801

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 Yue
Prof. GU Qiao

REMUNERATION COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

AUTHORISED REPRESENTATIVES

Mr. KAM Yuen
Ms. ZHENG Ting



CORPORATE INFORMATION

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

Estera Trust (Cayman) Limited
(Formerly known as “Appleby Trust (Cayman) Ltd”)

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank — Shanghai Baogang
Baoshan Branch
Shanghai Huarui Bank

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