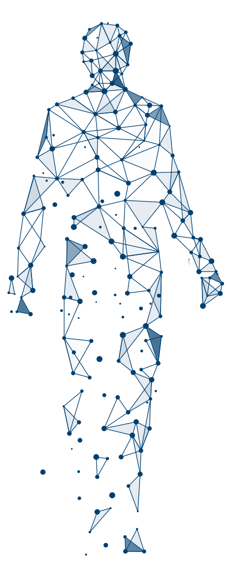
Interim Report | 2018/19

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)

ENHANCING SHAREHOLDERS' VALUE



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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 at international standards.

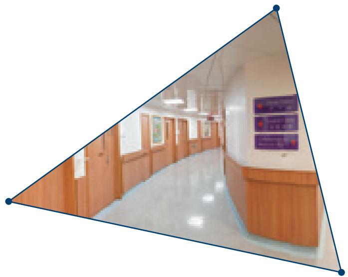
THE MEDICAL DEVICES SEGMENT

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

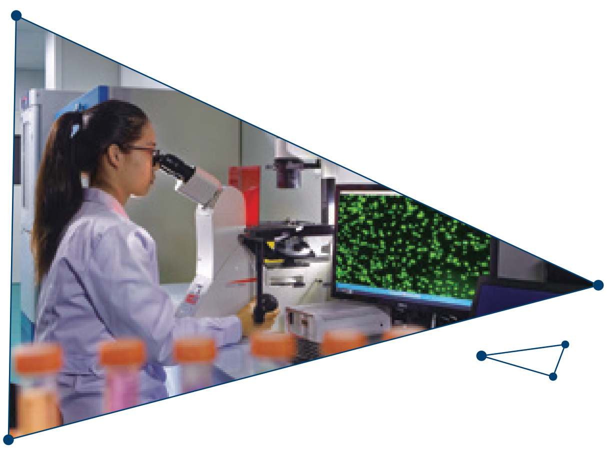
The Group is committed to achieving long-term sustainable growth through unremittingly cultivating our healthcare services and medical devices operations. We are investing in the healthcare industry with prominent market potentials, limited competition, and high investment returns in order to continuously 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
  - Genetic Testing Services Business
  - Cells and Tissues Storage Business
  - Hospital Business
  - Medical Insurance Administration Business
- STRATEGIC INVESTMENTS



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

MANAGEMENT DISCUSSION AND ANALYSIS

The management is pleased to present the interim results of Golden Meditech Holdings Limited (the "Company" or "Golden Meditech", together with its subsidiaries, collectively referred to as the "Group") for the six months ended 30 September 2018 (the "Reporting Period"). During the Reporting Period, the Group's core healthcare services segment maintains upward momentum. Among which, the well-developed hospital business reported double-digit revenue growth; the newly-established cells and tissues storage and genetic testing services businesses achieved rapid growth, becoming a new growth area in the healthcare services segment. The medical devices segment continued to improve, while several strategic investment projects were progressing in accordance with plan.

With the implementation of the "Healthy China" strategy as well as the in-depth healthcare reforms, the Chinese government continues to invest heavily in the health industry. Its policy targets on public health and encourages private capital to provide diversified services. Dedicated and well-known international private healthcare institutions have also received higher public recognition. These policies create favourable environments for private healthcare institutions such as specialist hospitals and medical laboratories, and the Group is taking every advantage of it.

The demand of healthcare market in China is huge and rapidly growing, driven by ageing population, improvement in people's living standards and growing health awareness. According to statistics from Qianzhan Industry Research Institute, the total health market spending in China reached RMB4.9 trillion in 2017 and is expected to reach RMB12.9 trillion in 2021, with a compound annual growth rate of approximately 27.3%. China's health industry is embarking on rapid growth and is closely followed by the market participants.

Notably, we have witnessed uncertain economic outlook in China and across the globe and such uncertainty might affect all industries to certain extent. Golden Meditech follows closely to the China's healthcare policy, seizes market opportunities and comprehends the economic dynamics to its needs. Over the past few years, we optimised our operations which resulted in continuous improvement in hospital and medical devices performance as well as expanding into new biomedical businesses. We explore international market potentials, and tap into overseas R&D abilities for future growth opportunities. Given the current uncertain economic outlook, the Group reviews new investment projects cautiously.

BUSINESS REVIEW

Golden Meditech is an integrated healthcare enterprise. Its operations cover both the healthcare services segment and the medical devices segment. The healthcare services segment currently consists of hospital business, cells and tissues storage and genetic testing services businesses and medical insurance administration business. The medical devices segment currently consists of the manufacturing of medical devices and the distribution of third parties medical equipment and consumables. In addition, the Group has also ventured into precision medicine and other investment businesses.

Continuing Operations

I. Healthcare Services Segment

Hospital Business

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 practitioners and offers direct bill settlement services to several international and domestic insurance companies. Over the years, it continuously attracts high-end customers by offering international standard and professional services. In order to meet future 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") provides international standard obstetrics, gynecology and pediatric medical services and other ancillary services such as Chinese medicines and postnatal health care center. It aims to create a convenient and comfortable one-stop service environment for expectant mothers and patients. Equipped with advanced medical equipment and experienced medical team, Sunbow O&G Hospital offers 99 beds to those in needs. It offers patients a safe and reassuring experience through standardised consulting procedures, dedicated doctor arrangement and personalised services. Sunbow O&G Hospital has progressively increased its revenue since it became operational.

Beijing Qinghe Hospital ("Qinghe Hospital") specialises in haematology and provides a broad range of medical disciplines. 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) since June 2017, bringing a stable income stream to the Group.

China continues to roll out in-depth healthcare reforms in the areas of public hospital and the encouragement of participation of private capital in specialist hospitals. The Group leverages on its competitive advantages and market insights by seizing the right opportunities, with a view to further advance on existing hospital business. As a result of the Group's proactive actions, the Group's three hospitals demonstrate a sound and sustainable performance to the Group.

At present, China is pursuing the "Healthy China" national strategy and has successively introduced a series of new policies to promote the health industry. The management believes that the development of the health industry would require constant innovation and advanced technologies, so as to better manage human health data. The Group has strategically entered into the biomedical industry by expanding into the cells and tissues storage and genetic testing services businesses. These new businesses will become a new growth area in the healthcare services segment and are expected to grow rapidly in the booming health industry.

Cells and Tissues Storage Business

Shanghai GM LifeBank Co., Ltd. ("GM LifeBank") is engaged in the cells and tissues collection, processing and storage services as well as their clinical applications. Its vision is to promote improvement in human health, such as cancer preventions and treatments, general wellbeing and anti-ageing. Equipped with liquid nitrogen cryopreservation technology and advanced secured storage system, GM LifeBank provides cells and tissues storage services to the general public, scientific research and other institutions by banking a variety of tissue-derived mesenchymal stem cells, immunocytes and adipose tissues.

Genetic Testing Services Business

Shanghai GM Diagnosis Co., Ltd. ("GM Diagnosis") obtained a Practicing Licence for Medical Institution (醫療機構執業許可證) issued by the Shanghai Municipal Health Commission. It is engaged in the provision of high-end clinical molecular genetic testing and molecular pathology testing services. Those professional testing services include, but not limited to, newborn genetic diagnosis, early diagnosis of cancer, individualised medication guidance, efficacy observation and prognosis judgment, etc. Thanks to its first class equipment, advanced technology and competent management, GM Diagnosis aims to become a third-party medical laboratory accredited internationally by CAP (the College of American Pathologists).

Medical Insurance Administration Business

GM-Medicare Management (China) Company Limited ("GM-Medicare") is a leading information technology solution provider in healthcare insurance sector. It provides operation and information technology solutions and services to medical insurance companies and healthcare institutions. GM-Medicare was the first third-party administrator ("TPA") who assisted the government's healthcare insurance agencies in carrying out off-site real-time review process and bill settlement. Leveraging on the Group's comprehensive domestic and international background in the healthcare sector as well as its extensive network of medical institutions, GM-Medicare is well positioned to become a leading player in the medical insurance administration sector. As an innovative and independent professional third-party service provider, GM-Medicare aims to participate in the healthcare reforms and assist the upgrade of social security system.

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") is a leading medical device manufacturer in China that provides domestically developed products specialised in blood recovery, purification and treatment. The medical devices segment continued to improve thanks to the increased selling price in medical device consumables as well as the Group's business focus on distribution of third parties medical equipment and consumables.

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 United States ("U.S."), and an independent strategic investor. GM Javadi owns a renowned and brand-new 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 as well as survival rate. It is believed that GM Javadi would bring considerable benefits to the Group in the future.

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 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 owns a stand-alone manufacturing facility in Houston that meets good manufacturing practice ("GMP") standards. Presently, Cellenkos' lead product, CK0801, is in phase I clinical trial in the U.S. and has been approved by the U.S. Food and Drug Administration for investigational new drug ("IND") applications for treatment on diseases such as Guillain-Barré syndrome and bone marrow failure syndrome.

Other Investments

Life Corporation Limited ("LFC"), a 50.23% associate of the Group, is principally engaged in the provision of multi-religion funeral services and columbarium services in Singapore. Life Corporation Services (S) Pte. Ltd. ("LFC Services"), a wholly-owned subsidiary of LFC, is currently developing an automated columbarium in Singapore. In order to facilitate the construction of columbarium, in November 2017, GM Investment Company Limited ("GM Investment"), a wholly-owned subsidiary of the Company, granted 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 years. The construction of the automated columbarium is expected to be completed in late 2019. The management believes that once LFC's automated columbarium business commences, it will bring better returns to the Group and its shareholders.

ASA Asset Management Co., Ltd. ("ASA"), a 50.0% joint venture of the Group, 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 owns permits in wealth management. ASA invests in Japanese properties and manages offices, residences, commercial facilities as well as healthcare premises.

Discontinued Operation

The Group completed the disposal of cord blood storage business in January 2018. During the Reporting Period, the Group no longer reports the operating results of cord blood storage business in the consolidated income statement.

OTHER DEVELOPMENTS

Termination of the Acquisition of 16.14% Interest in YPHK Fund

In July 2018, the Group terminated the acquisition of 16.14% interest in 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") due to the acquisition conditions not satisfied. The Group has since received the deposit together with the accrued interest (please refer to the Company's announcements dated 4 February 2018, 31 July 2018 and 8 August 2018).

Updates on Sanpower Settlement Agreement

In November 2016, GM Investment entered into a conditional settlement agreement with Sanpower Group Limited* (三胞集團有限公司) ("Sanpower"). Pursuant to the agreement, Sanpower agreed to pay GM Investment US$300,000,000 (equivalent to approximately HK$2,340,000,000) by five instalments within 36 months. The abovementioned settlement agreement was approved by the Company's shareholders on 16 January 2017 (please refer to the Company's announcements dated 14 November 2016 and 16 January 2017).

It was drawn to the management attention that Sanpower was facing credit crunch during the year, but received unanimous support from creditors to resolve its current difficulties. However, for prudence, the management decided to set aside a non-cash provision of HK$92,882,000 against outstanding receivables due from Sanpower. Such provision will not have any adverse impact on the ongoing operations of the Group.

FINANCING

Provision of Financial Assistance

In August 2018, Golden Meditech K.K. ("GM K.K."), an indirect wholly-owned subsidiary of the Company, and Magnum Opus International Holdings Limited ("Magnum Opus"), a wholly-owned company of the Company's chairman and executive director Mr. Kam Yuen, conditionally agreed to provide ASA with a shareholder loan in an aggregate principal amount of JPY2,400,000,000 (equivalent to approximately HK$165,360,000) at the interest rate of 5% per annum for a term of five years. Each of GM K.K. and Magnum Opus provides JPY1,200,000,000 (equivalent to approximately HK$82,680,000).

KEY FINANCIAL PERFORMANCE INDICATORS

The Group reported the operating results of Global Cord Blood Corporation ("GCBC", formerly known as China Cord Blood Corporation) during the six months ended 30 September 2017 as discontinued operation in the consolidated income statement.

Continuing Operations

During the Reporting Period, the Group's revenue amounted to HK$163,913,000, representing a significant increase of 40.0% year-on-year. The increase was primarily due to the 58.0% year-on-year increase in hospital business revenue. Additionally, the newly-added cells and tissues storage and genetic testing services businesses grew rapidly and contributed maiden revenue to the Group, becoming a new growth area in the healthcare services segment.

I. Healthcare Services Segment

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Revenue from hospital business	**75,612**	47,865
Among which:		
SEIMC	**27,553**	27,418
Qinghe Hospital	**35,710**	16,093
Sunbow O&G Hospital	**12,349**	4,354
Revenue from cells and tissues storage and genetic testing services businesses	**5,324**	–
Revenue from medical insurance administration business	**2,663**	2,163
Selling, marketing and administrative expenses	**(104,048)**	(113,983)
Loss before interest, tax, depreciation and amortisation	**(26,220)**	(58,597)
Loss after tax	**(68,041)**	(99,340)

During the Reporting Period, revenue from the healthcare services segment increased significantly by 67.1% year-on-year to HK$83,599,000, accounting for 51.0% of the Group's revenue. The increase was largely attributable to the substantial year-on-year increase of 58.0% in hospital business. Revenue generated from hospital business, cells and tissues storage and genetic testing services businesses and medical insurance administration business were HK$75,612,000, HK$5,324,000 and HK$2,663,000, accounting for 90.4%, 6.4% and 3.2% of the healthcare services revenue, respectively.

Hospital Business

During the Reporting Period, SEIMC recorded revenue of HK$27,553,000; Sunbow O&G Hospital and Qinghe Hospital reported revenue contribution of HK$12,349,000 and HK$35,710,000 to the Group, representing year-on-year increase of 183.6% and 121.9%, respectively. The increase was mainly due to the growing hospital demands and services.

Cells and Tissues Storage and Genetic Testing Services Businesses

The Group's strategic expansion in the health sector, namely the new cells and tissues storage and genetic testing services businesses, showed a good start. The cells and tissues storage and genetic testing services businesses contributed revenue of HK$5,324,000 to the Group during the Reporting Period. The management believes that the booming biomedical industry will rapidly drive the demand of the cells and tissues storage as well as genetic testing services businesses, which will ultimately improve the Group's revenue and profitability.

Medical Insurance Administration Business

Revenue from medical insurance administration business was HK$2,663,000 during the Reporting Period. 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 commercial insurance companies, which will ultimately enhance the Group's operational efficiency, scale as well as its profitability.

During the Reporting Period, selling, marketing and administrative expenses from the healthcare services segment decreased by 8.7% year-on-year to HK$104,048,000. The decrease was largely attributable to the Group's continuous control on hospital operating expenses. Loss after tax from the healthcare services segment decreased by 31.5% year-on-year to HK$68,041,000, as a result of the increase in revenue as well as the decline in expenses.

II. Medical Devices Segment

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Revenue from medical devices	**1,440**	995
Revenue from medical device consumables	**49,970**	45,943
Revenue from distribution of third parties medical equipment and consumables	**26,350**	18,251
Selling, marketing and administrative expenses	**(43,253)**	(35,451)
Profit before interest, tax, depreciation and amortisation	**10,470**	1,353
Profit/(loss) after tax	**4,047**	(5,705)

During the Reporting Period, revenue from the medical devices segment increased by 19.3% year-on-year to HK$77,760,000, accounting for 47.4% of the Group's revenue. Among which, revenue from medical device consumables increased by 8.8% year-on-year to HK$49,970,000, driven by the increase in selling price in medical device consumables; revenue from the distribution of third parties medical equipment and consumables increased by 44.4% to HK$26,350,000, due to one-off sale of medical equipment.

During the Reporting Period, selling, marketing and administrative expenses from the medical devices segment increased by 22.0% year-on-year to HK$43,253,000, largely attributable to the expansion of the Group's marketing team as well as exploration of new sales channels.

The medical devices segment recorded a profit after tax of HK$4,047,000 during the Reporting Period, as compared to a loss after tax of HK$5,705,000 in the corresponding period last year. The fluctuation was primarily due to the elimination of unrealised profits of the Group's inter-segment sales last year.

III. Strategic Investments

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Revenue from Chinese herbal medicines business	**2,554**	1,852
Selling, marketing and administrative expenses	**(11,656)**	(10,367)
Loss before interest, tax, depreciation and amortisation	**(384)**	(1,846)
Share of net loss from Cellenkos, LFC, GM Javadi and ASA	**(9,003)**	(3,459)
Changes in fair value of Cellenkos warrant	**(1,598)**	(1,493)
Loss after tax	**(19,305)**	(14,542)

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

During the Reporting Period, (losses)/profit attributable to the Group from Cellenkos, LFC, GM Javadi and ASA were HK$(3,868,000), HK$(3,417,000), HK$(2,700,000) and HK$982,000, respectively. Both Cellenkos and GM Javadi are the Group's strategic investments in the precision medicine fields, which will complement and benefit the Group in the future development of biomedical business.

FUTURE DEVELOPMENT

Looking ahead, the Group will focus on business diversification strategies to respond to all challenges in uncertain economic environments and at the same time closely follow the China healthcare policies and explore worldwide market opportunities. Banking on its core healthcare services segment, the Group will steadily grow its hospital business, and vigorously promote its cells and tissues storage, genetic testing services, precision medicine as well as cell therapy businesses. Work on expanding and developing its medical insurance administration business and medical devices segment continues. Golden Meditech will explore and integrate both business segments further to consolidate its market position in the healthcare industry.

GROUP FINANCIAL REVIEW

Continuing Operations

Revenue

During the Reporting Period, the Group recorded revenue of HK$163,913,000, representing an increase of 40.0% year-on-year. The increase was mainly attributable to the 67.1% increase in healthcare services revenue, contributing HK$83,599,000. Among which, revenue contributions from Sunbow O&G Hospital and Qinghe Hospital increased 183.6% and 121.9%, reaching HK$12,349,000 and HK$35,710,000, respectively. Furthermore, revenue from medical devices segment continued to improve and amounted to HK$77,760,000, representing an increase of 19.3% year-on-year.

Gross Profit Margin

The Group's gross profit margin increased by 5.1 percentage points year-on-year to 48.1%. Among which, the healthcare services segment and the medical devices segment reported gross profit margins of 45.6% and 55.8%, respectively, as compared to 35.7% and 54.5% in the corresponding period last year. The improvement in gross profit margin was the result of contribution of the newly-established cells and tissues storage and genetic testing services businesses which had higher gross profit margins, as well as improvement in operating efficiency of Sunbow O&G Hospital.

Selling, Marketing and Administrative Expenses

The Group maintained its marketing and business development initiatives in each of its business segments. Selling, marketing and administrative expenses during the Reporting Period totaled HK$204,147,000, representing a decrease of 2.7% year-on-year. The lower expenses mainly reflected a decrease in legal and professional fee as compared to the corresponding period last year, and a decline in travelling expenses as a result of the Group's close monitoring of operating expenses.

Other Income

During the Reporting Period, the Group recorded other income of HK$92,342,000, as compared to HK$59,271,000 in the corresponding period last year. The increase was mainly attributable to fluctuation in RMB exchange rates. During the Reporting Period, the Company recorded an exchange gain of HK$33,026,000 on its RMB-denominated bank loan.

Impairment Loss on Other Receivables

Sanpower was facing credit crunch during the Reporting Period, accordingly, the Group adopted higher discount rates and revised estimates of the timing of receivables from Sanpower. To reflect revised estimated cash flows, the Group recorded a non-cash provision of HK$92,882,000. Such provision will not have any adverse impact on the ongoing operations of the Group.

Loss from Operations

During the Reporting Period, the Group recorded operating loss of HK$125,833,000, representing an increase of 25.6% as compared to the corresponding period last year. Excluding impairment loss on other receivables and the exchange gain on the Company's RMB-denominated bank loan as discussed above, the adjusted operating loss was HK$65,977,000, representing an improvement of 34.1% as compared to the corresponding period last year, which was largely attributable to the abovementioned increase in revenue and gross profit margin.

Finance Costs

During the Reporting Period, finance costs decreased significantly by 85.4% year-on-year to HK$29,106,000. Such decrease was primarily attributable to the finance costs on the promissory notes issued by the Group which was fully redeemed during the year ended 31 March 2018. During the corresponding period last year, the Group recorded interest expenses of HK$176,933,000 on the promissory notes, no such item was recorded in the current period.

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

During the Reporting Period, the Group recorded fair value losses amounted to HK$1,538,000, mainly reflecting the fair value loss of HK$1,598,000 on Cellenkos warrant upon expiry. During the corresponding period last year, the Group recorded fair value losses amounted to HK$3,945,000, of which, HK$2,452,000 was related to the convertible notes issued by the Company, such convertible notes was fully redeemed in November 2017.

Income Tax Expense

During the Reporting Period, the Group's total income tax expense was HK$3,045,000, representing an increase of 27.7% year-on-year. The increase was mainly attributable to the withholding tax on interest income from loans to joint ventures.

Loss Attributable to Equity Shareholders of the Company

During the Reporting Period, loss attributable to equity shareholders of the Company was HK$155,147,000, representing a year-on-year decrease of 46.0%. Fluctuation was largely attributable to the abovementioned improvement in operating performances and significant reduction in finance costs; offset by the impairment loss on other receivables recognised during the Reporting Period.

Current Assets and Total Assets

As at 30 September 2018, the Group's total current assets and total assets were HK$4,063,420,000 (31 March 2018: HK$4,785,370,000) and HK$7,734,652,000 (31 March 2018: HK$8,718,467,000), respectively.

Liquidity and Financial Resources

As at 30 September 2018, the Group's cash and bank deposits amounted to HK$3,879,784,000 (31 March 2018: HK$3,812,150,000) and total interest-bearing borrowings stood at HK$904,955,000 (31 March 2018: HK$1,174,055,000). Of which, the bank borrowings of HK$885,717,000 (31 March 2018: HK$1,150,591,000) were secured by the Group's interest in a leasehold land located in the PRC with a carrying amount of HK$575,162,000 (31 March 2018: HK$638,196,000) and bank deposits of HK$626,781,000 (31 March 2018: HK$966,508,000). Excluding those borrowings pledged by deposits, the Group's net interest-bearing borrowings as at 30 September 2018 were HK$361,118,000 (31 March 2018: HK$398,370,000).

As at 30 September 2018, the Group's net cash and bank deposits were HK$3,253,003,000 (31 March 2018: HK$2,845,642,000).

Debt Ratio

As at 30 September 2018, based on the total interest-bearing borrowings divided by total equity, the Group's debt ratio was 18.7% (31 March 2018: 21.1%). Excluding the abovementioned pledged bank borrowings, the Group's adjusted debt ratios as at 30 September 2018 were 7.4% (31 March 2018: 7.2%). 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

As at 30 September 2018, the Group had pledged certain assets as collaterals for bank borrowings as follows:

(i) the bank loan of the Company of HK$543,837,000 was guaranteed by bank deposit of HK$626,781,000; and

(ii) the bank loan of the Company of HK$341,880,000 was secured by interest in a leasehold land, with a carrying amount of HK$575,162,000.

Further details of pledged assets are set out in note 18 to the financial statements.

Employees

The Group employed 956 full-time staff in Hong Kong and in Mainland China (30 September 2017: 736). During the Reporting Period, total staff costs (including directors' remuneration, contributions to retirement plans and equity settled share-based payment expenses) amounted to HK$72,539,000 (30 September 2017: HK$64,237,000).

* English name is for identification purpose only.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2018 $'000	2017 (Note) $'000
Continuing operations			
Revenue	4	**163,913**	117,069
Cost of sales		**(85,059)**	(66,711)
Gross profit		**78,854**	50,358
Other income	5	**92,342**	59,271
Selling and marketing expenses		**(25,554)**	(15,537)
Administrative expenses		**(178,593)**	(194,248)
Impairment loss on other receivables		**(92,882)**	–
Loss from operations		**(125,833)**	(100,156)
Finance costs	6(a)	**(29,106)**	(199,807)
Changes in fair value of financial instruments at fair value through profit or loss	6(c)	**(1,538)**	(3,945)
Share of losses of associates		**(7,285)**	(585)
Share of losses of joint ventures		**(1,718)**	(2,874)
Loss before taxation	6	**(165,480)**	(307,367)
Income tax expense	7	**(3,045)**	(2,385)
Loss for the period from continuing operations		**(168,525)**	(309,752)
Discontinued operation			
Profit for the period from discontinued operation	9	**–**	192,785
Loss for the period		**(168,525)**	(116,967)

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2018 $'000	2017 (Note) $'000
Attributable to:			
Equity shareholders of the Company			
– continuing operations		**(155,147)**	(287,444)
– discontinued operation		**–**	224,352
		(155,147)	(63,092)
Non-controlling interests			
– continuing operations		**(13,378)**	(22,308)
– discontinued operation		**–**	(31,567)
		(13,378)	(53,875)
Loss for the period		**(168,525)**	(116,967)
Basic and diluted (loss)/earnings per share (in cents)	8		
– continuing operations		**(5.32)**	(9.69)
– discontinued operation		**–**	7.56
		(5.32)	(2.13)

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3 for details.

The notes on pages 21 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
		(Note)
	$'000	$'000
Loss for the period	**(168,525)**	(116,967)
Other comprehensive income for the period (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	**(453,922)**	184,245
Share of other comprehensive income of an associate	**(789)**	–
Available-for-sale securities: changes in fair value recognised during the period	**–**	(34,529)
Other comprehensive income for the period	**(454,711)**	149,716
Total comprehensive income for the period	**(623,236)**	32,749
Attributable to:		
Equity shareholders of the Company		
– continuing operations	**(613,893)**	(60,258)
– discontinued operation	**–**	124,975
	(613,893)	64,717
Non-controlling interests		
– continuing operations	**(9,343)**	(22,356)
– discontinued operation	**–**	(9,612)
	(9,343)	(31,968)
Total comprehensive income for the period	**(623,236)**	32,749

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3 for details.

The notes on pages 21 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 (Note) $'000
Non-current assets			
Property, plant and equipment	10	**1,126,338**	1,258,234
Interests in leasehold land held for own use under operating leases	10	**1,447,691**	1,526,912
		2,574,029	2,785,146
Goodwill		**169,686**	182,291
Interest in associates		**46,277**	40,941
Interest in joint ventures		**195,139**	104,992
Available-for-sale securities		**–**	19,788
Other financial assets		**51,354**	–
Other receivables	12	**620,688**	784,911
Deferred tax assets		**14,059**	15,028
		3,671,232	3,933,097
Current assets			
Derivative financial assets		**–**	1,598
Inventories	13	**33,757**	32,353
Trade and other receivables	14	**149,879**	939,269
Pledged and time deposits	15	**672,365**	1,016,496
Cash and cash equivalents	16	**3,207,419**	2,795,654
		4,063,420	4,785,370
Current liabilities			
Trade and other payables	17	**1,757,518**	1,775,036
Contract liabilities		**27,966**	–
Interest-bearing borrowings	18	**543,837**	231,807
Obligations under finance leases		**2,790**	3,311
Income tax payables		**62,340**	66,585
		2,394,451	2,076,739
Net current assets		**1,668,969**	2,708,631
Total assets less current liabilities		**5,340,201**	6,641,728

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 (Note) $'000
Non-current liabilities			
Interest-bearing borrowings	18	**341,880**	918,784
Obligations under finance leases		**16,448**	20,153
Deferred tax liabilities		**133,688**	148,430
Other non-current liabilities		**382**	419
		492,398	1,087,786
NET ASSETS		**4,847,803**	5,553,942
CAPITAL AND RESERVES			
Share capital	19(a)	**583,386**	583,386
Reserves		**4,197,886**	4,892,176
Total equity attributable to equity shareholders of the Company		**4,781,272**	5,475,562
Non-controlling interests		**66,531**	78,380
TOTAL EQUITY		**4,847,803**	5,553,942

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3 for details.

The notes on pages 21 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company												
	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Surplus reserve $'000	Fair value reserve $'000	Other reserves $'000	Retained earnings/ (accumulated losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2018 (Note)	**583,386**	**2,368,990**	**21,521**	**–**	**54,193**	**362,444**	**99,129**	**(12)**	**(1,563,283)**	**3,549,194**	**5,475,562**	**78,380**	**5,553,942**
Impact on initial application of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**–**	**(80,409)**	**(80,397)**	**–**	**(80,397)**
Adjusted balance at 1 April 2018	**583,386**	**2,368,990**	**21,521**	**–**	**54,193**	**362,444**	**99,129**	**–**	**(1,563,283)**	**3,468,785**	**5,395,165**	**78,380**	**5,473,545**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(458,746)**	**–**	**–**	**–**	**(155,147)**	**(613,893)**	**(9,343)**	**(623,236)**
Dividends to holders of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,506)**	**(2,506)**
Balance at 30 September 2018	**583,386**	**2,368,990**	**21,521**	**–**	**54,193**	**(96,302)**	**99,129**	**–**	**(1,563,283)**	**3,313,638**	**4,781,272**	**66,531**	**4,847,803**
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	706,887	4,030,827
Total comprehensive income for the period	–	–	–	–	–	151,614	–	(23,805)	–	(63,092)	64,717	(31,968)	32,749
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(5,476)	(5,476)
Equity settled share-based payment expenses	–	–	–	17,185	–	–	–	–	–	–	17,185	2,072	19,257
Cancellation of share options	–	–	–	(10,666)	–	–	–	–	–	10,666	–	–	–
Conversion of the convertible notes issued by a subsidiary	–	–	–	–	–	(12,196)	–	19,781	(546,791)	–	(539,206)	539,206	–
Transfer to surplus reserve	–	–	–	–	–	–	2,097	–	–	(2,097)	–	–	–
Balance at 30 September 2017	593,228	3,293,087	11,679	99,993	54,193	250,988	248,038	52,306	(1,563,283)	(173,593)	2,866,636	1,210,721	4,077,357

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3 for details.

The notes on pages 21 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2018 $'000	2017 (Note) $'000
Operating activities			
Cash (used in)/generated from operations		**(119,127)**	672,373
The People's Republic of China ("PRC") income tax paid		**(2,322)**	(41,502)
Net cash (used in)/generated from operating activities		**(121,449)**	630,871
Investing activities			
Proceeds from sale of property, plant and equipment		**87**	–
Payments for purchase of property, plant and equipment		**(20,503)**	(46,304)
Proceeds from disposal of financial assets		**1,950**	–
Loan and advances to joint ventures		**(93,149)**	(4,680)
Loan to an associate		**(12,690)**	–
Proceeds received from a third party under the Fortress Settlement Agreements		**429,000**	–
Proceeds from refund of investment deposit	23	**365,140**	–
Other net cash flows generated from/(used in) investing activities		**17,013**	(171,080)
Net cash generated from/(used in) investing activities		**686,848**	(222,064)
Financing activities			
Proceeds from new interest-bearing borrowings		**–**	778,000
Repayments of interest-bearing borrowings		**(232,000)**	(837,837)
Proceeds from investment deposits from a third party		**117,689**	–
Payments for dividends to holders of non-controlling interests		**(2,506)**	(5,476)
Other net cash flows generated from/(used in) financing activities		**243,452**	(119,111)
Net cash generated from/(used) in financing activities		**126,635**	(184,424)
Net increase in cash and cash equivalents		**692,034**	224,383
Cash and cash equivalents at 1 April		**2,795,654**	4,397,306
Effect of foreign exchanges rates changes		**(280,269)**	161,005
Cash and cash equivalents at 30 September		**3,207,419**	4,782,694
Analysis of cash and cash equivalents			
Cash and cash equivalents of the Group		**3,207,419**	172,669
Reclassification to assets of disposal group classified as held for sale		**–**	4,610,025
		3,207,419	4,782,694

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3 for details.

The notes on pages 21 to 60 form part of this interim financial report.

1 BACKGROUND

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

On 24 January 2011, the Company completed the listing of 90,000,000 units of Taiwan Depositary Receipts ("TDRs"), representing 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 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 26 November 2018.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2019. Details of changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 BASIS OF PREPARATION (continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2018. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the year ended 31 March 2018 that is included in this interim financial report as comparative information does not constitute the Group's financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 March 2018 are available from the website of the Stock Exchange. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 June 2018.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

HK(IFRIC) 22 does not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in this interim financial report.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses and HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies in relation to HKFRS 9 and HKFRS 15 are discussed in notes 3(b) and 3(c) respectively.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15.

	At 31 March 2018 $'000	Impact on initial application of HKFRS 9 (Note 3(b)) $'000	Impact on initial application of HKFRS 15 (Note 3(c)) $'000	At 1 April 2018 $'000
Available-for-sale securities	19,788	(19,788)	–	–
Other financial assets	–	53,244	–	53,244
Other receivables	784,911	(55,261)	–	729,650
Non-current assets	**3,933,097**	**(21,805)**	**–**	**3,911,292**
Trade and other receivables	939,269	(58,592)	–	880,677
Current assets	**4,785,370**	**(58,592)**	**–**	**4,726,778**
Trade and other payables	1,775,036	–	(27,585)	1,747,451
Contract liabilities	–	–	27,585	27,585
Net current assets	**2,708,631**	**(58,592)**	**–**	**2,650,039**
Total assets less current liabilities	**6,641,728**	**(80,397)**	**–**	**6,561,331**
Net assets	**5,553,942**	**(80,397)**	**–**	**5,473,545**
Reserves	4,892,176	(80,397)	–	4,811,779
Total equity attributable to equity shareholders of the company	**5,475,562**	**(80,397)**	**–**	**5,395,165**
Total equity	**5,553,942**	**(80,397)**	**–**	**5,473,545**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves at 1 April 2018.

	$'000
Retained earnings	
Transferred from fair value reserve relating to financial assets now measured at fair value through profit or loss	(12)
Fair value remeasurement of financial assets carried at fair value through profit or loss	33,456
Recognition of expected credit loss on amounts due from Sanpower (note 11)	(113,853)
Net decrease in retained earnings at 1 April 2018	(80,409)
Fair value reserve	
Transferred to retained earnings relating to financial assets now measured at fair value through profit or loss	12
Net increase in fair value reserve at 1 April 2018	12

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018 $'000	Reclassification $'000	Remeasurement $'000	HKFRS 9 carrying amount at 1 April 2018 $'000
Financial assets carried at amortised cost				
Cash and cash equivalents	2,795,654	–	–	2,795,654
Pledged and time deposits	1,016,496	–	–	1,016,496
Trade and other receivables	1,724,180	–	(113,853)	1,610,327
Amounts due from a joint venture	78,450	–	–	78,450
Amounts due from an associate	7,963	–	–	7,963
	5,622,743	–	(113,853)	5,508,890
Financial assets classified as available-for-sale under HKAS 39	19,788	(19,788)	–	–
Financial assets carried at FVTPL*	–	19,788	33,456	53,244

* Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVTPL under HKFRS 9, unless they are eligible for and designated at FVOCI (non-recycling) by the Group. At 1 April 2018, none of the investments has been designated at FVOCI (non-recycling).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts, if any.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 April 2018.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, pledged and time deposits, trade and other receivables, amounts due from associates and joint ventures) and contract assets as defined in HKFRS 15.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVTPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan; and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, on 1 April 2018, the Group has recognised ECL on amounts due from Sanpower amounting to $113,853,000 (note 11). The Group did not recognise ECL on trade receivables as the amount was insignificant.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 30 September 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and determines that there is no significant impact of transition to HKFRS 15 on retained earnings and related tax as at 1 April 2018. Therefore, no adjustment to the opening balance of equity at 1 April 2018 was made. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, *Revenue from contracts with customers* (continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognised the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustment at 1 April 2018, as a result of the adoption of HKFRS 15:

"Advances received from customers" amounting to $27,585,000, which were previously included in trade and other payables are now included under contract liabilities.

4 REVENUE AND SEGMENT REPORTING

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 known as China Cord Blood Corporation) (note 9). No operating segments have been aggregated to form the following reportable segments.

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue

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 value added tax ("VAT"). Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Note	Six months ended 30 September 2018 $'000	2017 $'000
Continuing operations			
Revenue from contracts with customers within the scope of HKFRS 15			
Disaggregate by major products or service lines			
– Sales of medical devices and medical accessories		**77,760**	65,189
– Hospital operation		**39,902**	31,772
– Medical insurance administration service income		**2,663**	2,163
– Sale of Chinese herbal medicines		**2,554**	1,852
– Cells and tissues storage and genetic testing services income		**5,324**	–
Revenue from other sources			
– Hospital rental income		**35,710**	16,093
		163,913	117,069
Discontinued operation			
Revenue from contracts with customers within the scope of HKFRS 15			
Disaggregate by major products or service lines			
– Cord blood storage service income	9	**–**	531,588
		163,913	648,657

The analysis above includes property rental income from external customers in the PRC of $35,710,000 (2017: $16,093,000). Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue (continued)

The Group's revenue derived from activities outside the PRC is immaterial. Therefore, disaggregation of revenue from contracts with customers by geographical location of customers is not provided.

(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 five reportable segments. No operating segments have been aggregated to form the following reportable segments:

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.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Reportable segment (loss)/profit includes (loss)/profit from operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments for the six months ended 30 September 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	2017 (Note)	**2018**	2017 (Note)	**2018**	2017 (Note)	**2018**	2017 (Note)	**2018**	2017 (Note)	**2018**	2017 (Note)	**2018**	2017 (Note)
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
For the six months ended 30 September														
Disaggregated by timing of revenue recognition														
Point in time	**77,760**	46,938	**39,902**	31,772	**2,663**	2,163	**2,554**	1,852	**5,324**	–	**–**	531,588	**128,203**	614,313
Over-time	**–**	–	**35,710**	16,093	**–**	–	**–**	–	**–**	–	**–**	–	**35,710**	16,093
Revenue from external customers	**77,760**	46,938	**75,612**	47,865	**2,663**	2,163	**2,554**	1,852	**5,324**	–	**–**	531,588	**163,913**	630,406
Inter-segment revenue	**–**	18,251	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	18,251
Reportable segment revenue	**77,760**	65,189	**75,612**	47,865	**2,663**	2,163	**2,554**	1,852	**5,324**	–	**–**	531,588	**163,913**	648,657
Reportable segment (loss)/profit	**6,483**	(3,537)	**(49,787)**	(81,773)	**(12,978)**	(12,244)	**(13,629)**	(12,700)	**(2,813)**	(3,134)	**–**	228,491	**(72,724)**	115,103

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Please refer to note 3 for details.

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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment profit or loss

	Continuing operations		Discontinued operation		Total	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
For the six months ended 30 September						
Reportable segment (loss)/ profit	**(72,724)**	(113,388)	**–**	228,491	**(72,724)**	115,103
Interest income from other receivables	**42,356**	57,758	**–**	–	**42,356**	57,758
Interest income from loan to an associate	**654**	–	**–**	–	**654**	–
Interest income from loans to joint ventures	**2,530**	1,416	**–**	–	**2,530**	1,416
Finance costs	**(29,106)**	(199,807)	**–**	–	**(29,106)**	(199,807)
Changes in fair value of financial instruments at fair value through profit or loss	**(1,538)**	(3,945)	**–**	–	**(1,538)**	(3,945)
Share of losses of associates	**(7,285)**	(585)	**–**	–	**(7,285)**	(585)
Share of losses of joint ventures	**(1,718)**	(2,874)	**–**	–	**(1,718)**	(2,874)
Impairment loss on other receivables	**(92,882)**	–	**–**	–	**(92,882)**	–
Exchange gain on bank loan borrowed by the Company	**33,026**	–	**–**	–	**33,026**	–
Unallocated head office and corporate expenses	**(38,793)**	(45,942)	**–**	–	**(38,793)**	(45,942)
Consolidated (loss)/profit before taxation	**(165,480)**	(307,367)	**–**	228,491	**(165,480)**	(78,876)

5 OTHER INCOME

Other income in the consolidated income statement comprises:

	Note	Six months ended 30 September 2018 $'000	2017 $'000
Continuing operations			
Interest income from bank deposits		**11,360**	1,011
Interest income from other receivables	11	**42,356**	57,758
Interest income from loan to an associate		**654**	–
Interest income from loans to joint ventures		**2,530**	1,416
VAT refunds	(i)	**65**	263
Net exchange gain/(loss)		**32,957**	(554)
Net gain/(loss) on disposal of property, plant and equipment		**37**	(47)
Others		**2,383**	(576)
		92,342	59,271
Discontinued operation	9		
Interest income from bank deposits		**–**	7,852
Interest income from trade receivables		**–**	4,449
Net exchange gain		**–**	129
Net gain on disposal of property, plant and equipment		**–**	675
Others		**–**	1,806
		–	14,911

(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.

6 LOSS/(PROFIT) BEFORE TAXATION

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

	Six months ended 30 September	
	2018	2017
	$'000	$'000
(a) Finance costs		
Continuing operations		
Interests on interest-bearing borrowings wholly repayable within five years	**28,263**	198,927
Finance charges on obligations under finance leases	**843**	880
	29,106	199,807
(b) Staff costs		
Continuing operations		
Salaries, wages and other benefits	**62,455**	57,271
Contributions to defined contribution retirement plans	**10,084**	6,966
	72,539	64,237
Discontinued operation		
Salaries, wages and other benefits	**–**	107,581
Contributions to defined contribution retirement plans	**–**	16,769
Equity settled share-based payment expenses	**–**	19,257
	–	143,607
	72,539	207,844

6 LOSS/(PROFIT) BEFORE TAXATION (continued)

	Note	Six months ended 30 September 2018 $'000	2017 $'000
(c) Other items			
Continuing operations			
Amortisation of land lease premium		**18,696**	18,490
Depreciation of property, plant and equipment		**35,183**	34,677
Impairment losses/(reversal of impairment losses) on:			
– trade receivables		**(122)**	34
– other receivables	11	**92,882**	–
Changes in fair value of financial instruments at fair value through profit or loss:			
– warrant issued by an associate		**1,598**	1,493
– equity securities held by the Group		**(60)**	–
– convertible notes issued by the Company		**–**	2,452
		1,538	3,945
Research and development costs (other than depreciation and amortisation costs)		**5,620**	4,396
Discontinued operation			
Amortisation of intangible assets*		**–**	–
Depreciation of property, plant and equipment*		**–**	–
Impairment loss on trade receivables		**–**	11,554
Research and development costs (other than depreciation and amortisation costs)		**–**	6,657

* In accordance with applicable accounting policy, 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.

7 INCOME TAX

Income tax in the consolidated income statement comprises:

	Note	Six months ended 30 September 2018 $'000	2017 $'000
Continuing operations			
Current tax		**5,965**	4,778
Deferred tax		**(2,920)**	(2,393)
		3,045	2,385
Discontinued operation	9		
Current tax		**–**	39,742
Deferred tax		**–**	(4,036)
		–	35,706

The Group's subsidiaries in the PRC are subject to the PRC Corporate Income Tax.

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 Zhejing Lukou Biotechnology Co., Ltd. ("Zhejiang Lukou"), all other PRC subsidiaries of the Group are subject to income tax at 25% for the six months ended 30 September 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.

7 INCOME TAX (continued)

Income tax expenses of Jingjing for the six months ended 30 September 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 9). Income tax expenses of Beijing Jiachenhong, Guangzhou Nuoya and Zhejiang Lukou for the six months ended 30 September 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%.

Taxation for other entities of the Group is charged at their respective appropriate income tax rates ruling in the relevant countries.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on consolidated loss attributable to ordinary equity shareholders of the Company of $155,147,000 (2017: $63,092,000) and weighted average of 2,916,932,000 Shares (2017: 2,966,140,000 Shares) in issue during the period, calculated as follows:

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

	Six months ended 30 September	
	2018 Number of Shares ’000	2017 Number of Shares ’000
Issued ordinary shares at beginning and end of period	**2,916,932**	2,966,140
Weighted average number of ordinary shares	**2,916,932**	2,966,140

8 (LOSS)/EARNINGS PER SHARE (continued)

(a) Basic (loss)/earnings per share (continued)

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

	Six months ended 30 September	
	2018	2017
	$'000	$'000
(Loss)/profit attributable to equity shareholders		
– from continuing operations	**(155,147)**	(287,444)
– from discontinued operation	**–**	224,352
	(155,147)	(63,092)

(iii) Basic (loss)/earnings per share:

	Six months ended 30 September	
	2018	2017
Basic (loss)/earnings per share (in cents)		
– from continuing operations	**(5.32)**	(9.69)
– from discontinued operation	**–**	7.56
	(5.32)	(2.13)

(b) Diluted (loss)/earnings per share

The calculations of diluted (loss)/earnings per share for the six months ended 30 September 2018 and 2017 were same as that of basic (loss)/earnings per share, 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 periods as they have an anti-dilutive effect on the basic (loss)/earnings per share amount for the respective periods.

9 DISCONTINUED OPERATION

As at 31 January 2018, the Group completed the disposal of GCBC and ceased to hold any interest in GCBC, and GCBC and its subsidiaries ceased to be the subsidiaries of the Company.

The operation of GCBC was considered as a separate major line of business, i.e. the cord blood storage segment, and therefore was accounted for as a discontinued operation in the consolidated financial statements for the six months ended 30 September 2017.

Analysis of the results of the discontinued operation in relation to cord blood storage segment is as follows:

	Note	Six months ended 30 September 2017 $'000
Revenue	4	531,588
Cost of sales*		(84,868)
Gross profit		446,720
Other income	5	14,911
Selling and marketing expenses*		(113,541)
Administrative expenses*		(119,599)
Profit from operations		228,491
Finance costs		–
Profit before taxation	6	228,491
Income tax expense	7	(35,706)
Profit for the period from discontinued operation*		192,785

* No depreciation of property, plant and equipment and amortisation of intangible assets was charged to profit from discontinued operation after reclassification to assets of disposal group classified as held for sale on 31 March 2016.

During the six months ended 30 September 2017, changes in fair value of financial liabilities at fair value through profit or loss included consolidated adjustments amounted to $174,617,000.

9 DISCONTINUED OPERATION (continued)

Analysis of the cash flows of the discontinued operation in relation to cord blood storage segment is as follows:

	Six months ended 30 September 2017 $'000
Net cash generated from operating activities	512,539
Net cash used in investing activities	(17,669)
Net cash used in financing activities	(1,744)
Net cash generated from discontinued operation	493,126

10 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and interests in leasehold land held for own use under operating leases for the period/year ended 30 September 2018 and 31 March 2018 are set out as follows:

	Property, plant and equipment $'000	**Interests in leasehold land held for own use under operating leases $'000**	**Total $'000**
As at 1 April 2018	**1,258,234**	**1,526,912**	**2,785,146**
Exchange adjustments	**(113,482)**	**(60,525)**	**(174,007)**
Additions	**16,819**	**–**	**16,819**
Disposals	**(50)**	**–**	**(50)**
Depreciation/amortisation charges for the period	**(35,183)**	**(18,696)**	**(53,879)**
As at 30 September 2018	**1,126,338**	**1,447,691**	**2,574,029**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Property, plant and equipment $'000	Interests in leasehold land held for own use under operating leases $'000	Total $'000
As at 1 April 2017	1,192,734	1,496,026	2,688,760
Exchange adjustments	120,031	68,128	188,159
Cost adjustment	(58,632)	–	(58,632)
Additions	74,945	–	74,945
Disposals	(58)	–	(58)
Depreciation/amortisation charges for the year	(70,786)	(37,242)	(108,028)
As at 31 March 2018	1,258,234	1,526,912	2,785,146

11 INVESTMENT IN FORTRESS GROUP LIMITED

On 22 March 2014, GM Investment Company Limited ("GM Investment"), a wholly-owned subsidiary of the Company, entered into a conditional sales and purchase agreement with Sanpower Group Limited* (Chinese name as 三胞集團有限公司) ("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 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 investment 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.

* The English name is for identification purpose only.

11 INVESTMENT IN FORTRESS GROUP LIMITED (continued)

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 was not informed of the reasons why the PAG Agreement is not completed.

Thereafter, the Group was 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 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 Group 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.

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 the PAG Settlement Agreement, 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 the Sanpower Settlement Agreement, 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.

11 INVESTMENT IN FORTRESS GROUP LIMITED (continued)

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 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 value 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 approximately 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".

It was drawn to the management attention that Sanpower was facing credit crunch during the current reporting period, and received unanimous support from creditors to resolve its current difficulties. The Group expects the remaining two instalments due from Sanpower will be settled in October 2020 and July 2021, respectively. Therefore, the Group adopted higher discount rates and revised its estimates of the timing of receivables from Sanpower, so as to reflect revised estimated cash flows, and recognised ECLs of $113,853,000 and $92,882,000 on 1 April 2018 and during the current reporting period, respectively. Such non-cash provisions will not have any adverse impact on the ongoing operations of the Group.

11 INVESTMENT IN FORTRESS GROUP LIMITED (continued)

The movements of amounts due from Sanpower and amounts due to PAGAC are set out as follows:

		At 30 September 2018		At 31 March 2018	
	Note	Amounts due from Sanpower (notes 12 and 14) $'000	Amounts due to PAGAC (note 17) $'000	Amounts due from Sanpower* (notes 12 and 14) $'000	Amounts due to PAGAC* (note 17) $'000
At beginning of the period/year		1,207,177	(429,000)	1,518,498	(858,000)
Impact on initial application of HKFRS 9	3(b)	(113,853)	–	–	–
Adjusted balance at beginning of the period/year		1,093,324	–	1,518,498	(858,000)
Interest income	5	42,356	–	117,679	–
Impairment loss	6(c)	(92,882)	–	–	–
Settlements		(429,000)	–	(429,000)	429,000
At end of the period/year		613,798	(429,000)	1,207,177	(429,000)
Representing:					
Current		–	(429,000)	827,056	(429,000)
Non-current		613,798	–	380,121	–
		613,798	(429,000)	1,207,177	(429,000)

* The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated. Please refer to note 3 for details.

12 NON-CURRENT OTHER RECEIVABLES

Non-current other receivables in the consolidated statement of financial position comprise:

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
Investment deposits	(i)	**6,890**	404,790
Amounts due from Sanpower	11	**613,798**	380,121
		620,688	784,911

(i) As at 31 March 2018, investment deposits represented: (x) a refundable deposit for the Group's proposed acquisition of limited partner interest in 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"), amounting to RMB318,000,000 (equivalent to approximately $397,400,000). The proposed acquisition was terminated on 31 July 2018 and the investment deposit was fully refunded to the Group on 8 August 2018. Further details are set out in the Company's announcements dated on 4 February 2018, 31 July 2018 and 8 August 2018; and (y) 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 30 September 2018, investment deposit represented a refundable deposit for a proposed acquisition of a property located in Japan amounting to JPY100,000,000 (equivalent to approximately $6,890,000).

* The English name is for identification purpose only.

13 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Raw materials	**5,713**	5,787
Work in progress	**10,232**	8,882
Finished goods	**17,812**	17,684
	33,757	32,353

14 TRADE AND OTHER RECEIVABLES

Trade and other receivables in the consolidated statement of financial position comprise:

	Note	**At 30 September 2018 $'000**	At 31 March 2018 $'000
Gross trade receivables		**45,017**	32,929
Less: Allowance for doubtful debts		**(1,061)**	(1,292)
Net trade receivables		**43,956**	31,637
Prepayments and deposits		**9,704**	9,531
Other receivables		**96,219**	71,045
Amounts due from Sanpower	11	**–**	827,056
		149,879	939,269

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

14 TRADE AND OTHER RECEIVABLES (continued)

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:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Neither past due nor impaired	**32,882**	26,284
Past due (net of allowance for doubtful debts)		
Within six months	**5,272**	2,858
Between seven and twelve months	**5,573**	1,510
Over one year	**229**	985
	11,074	5,353
	43,956	31,637

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.

15 PLEDGED AND TIME DEPOSITS

Pledged and time deposits in the consolidated statement of financial position comprise:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Time deposits with original maturities over three months	**45,584**	49,988
Pledged deposits (i)	**626,781**	966,508
	672,365	1,016,496

(i) The balance represents bank deposits of $626,781,000 (31 March 2018: $966,508,000) which were pledged for interest-bearing borrowings (note 18).

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Cash and cash equivalents in the consolidated statement of financial position and cash flow statement	**3,207,419**	2,795,654

17 TRADE AND OTHER PAYABLES

Trade and other payables in the consolidated statement of financial position comprise:

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
Trade payables		**19,338**	8,596
Construction costs payables		**4,793**	9,123
Amounts due to PAGAC	11	**429,000**	429,000
Investment deposits	(i)	**398,860**	312,422
Withholding tax in relation to the disposal of GCBC		**656,866**	720,320
Other payables and accrued expenses		**248,661**	295,575
		1,757,518	1,775,036

(i) The balance represented investment deposits of RMB350,000,000 (equivalent to approximately $398,860,000) (31 March 2018: 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:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Due within three months or on demand	**19,338**	8,596

18 INTEREST-BEARING BORROWINGS

As at 30 September 2018 and 31 March 2018, interest-bearing borrowings were repayable as follows:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Within one year or on demand	543,837	231,807
After one year but within five years	341,880	918,784
	885,717	1,150,591

As at 30 September 2018, the bank loans of the Company of $885,717,000 (31 March 2018: $1,150,591,000) were secured by the Group's interests in leasehold land located in the PRC with an aggregate carrying amount of $575,162,000 (31 March 2018: $638,196,000) and bank deposits of $626,781,000 (31 March 2018: $966,508,000) (note 15).

19 CAPITAL AND DIVIDENDS

(a) Share capital

	At 30 September 2018		At 31 March 2018	
	Number of Shares '000	Amount $'000	Number of Shares '000	Amount $'000
Authorised:				
Ordinary shares of par value of $0.20 each	5,000,000	1,000,000	5,000,000	1,000,000
Issued and fully paid:				
At beginning of the period/year	2,916,932	583,386	2,966,140	593,228
Repurchase and cancellation of own shares	–	–	(49,208)	(9,842)
At end of the period/year	2,916,932	583,386	2,916,932	583,386

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 Shares rank equally with regard to the Company's residual assets.

(b) Dividends and distributability of reserves

The directors do not recommend the payment of a dividend in respect of the six months ended 30 September 2018 (six months ended 30 September 2017: $nil).

20 FAIR VALUES OF FINANCIALS INSTRUMENTS

(a) Financial assets measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period 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:

i. 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

ii. 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

iii. Level 3 valuations: Fair values measured using significant unobservable inputs

	Fair value at 30 September 2018 $'000	**Fair value measurements as at 30 September 2018 categorised into**		
		Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Other financial assets				
– unlisted equity securities	**9,361**	**–**	**–**	**9,361**
– fund investments	**41,993**	**–**	**–**	**41,993**

	Fair value at 31 March 2018 $'000	Fair value measurements under HKFRS 9 as at 31 March 2018 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Derivative financial assets				
– warrant issued by an associate	1,598	–	–	1,598
Other financial assets				
– unlisted equity securities	9,361	–	–	9,361
– fund investments	41,933	–	–	41,933
– unlisted debt securities	1,950	–	–	1,950

During the period/year ended 30 September 2018 and 31 March 2018, 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.

20 FAIR VALUES OF FINANCIALS INSTRUMENTS (continued)

(a) Financial assets measured at fair value (continued)

(ii) Information about Level 3 fair value measurement

The estimates of the fair values of the unlisted equity securities and fund investments were measured with reference to the recent transaction price and net asset value, respectively.

The estimate of the fair value of the warrant issued by an associate was measured by Black-Scholes model with the following assumptions:

	At 31 March 2018
Share price	US$2.473
Expected volatility	59.34%
Expected dividends	0.00%
Risk-free interest rate	1.63%

(iii) Reconciliation of Level 3 fair value measurements

	Other financial assets $'000	Derivative financial assets (Note) $'000	Total $'000
As at 1 April 2018 under HKFRS 9	**53,244**	**1,598**	**54,842**
Disposals	**(1,950)**	**–**	**(1,950)**
Changes in fair value of financial instruments at fair value through profit or loss	**60**	**(1,598)**	**(1,538)**
As at 30 September 2018	**51,354**	**–**	**51,354**

Note: Warrants issued by an associate was expired on 15 September 2018.

(b) 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 30 September 2018 and 31 March 2018.

21 COMMITMENTS

(a) Capital commitments for the acquisition of property, plant and equipment outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Contracted for	**–**	526

(b) At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2018 $'000	At 31 March 2018 $'000
Within one year	**14,097**	19,522
After one year but within five years	**11,808**	16,693
	25,905	36,215

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.

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 September	
	2018 $'000	2017 $'000
Directors' fee	**360**	385
Salaries, allowances and benefits in kind	**3,154**	4,252
Discretionary bonuses	**(500)**	2,000
Retirement scheme contributions	**1,719**	1,330
Equity settled share-based payment expenses	**–**	11,272
	4,733	19,239

22 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with directors of the Company

As at 30 September 2018, the Group lent a loan to a subsidiary of Life Corporation Limited ("LFC") with an aggregate principal amount of SGD3,500,000 (equivalent to approximately $20,036,000) (31 March 2018: aggregate principal amount of SGD1,300,000 (equivalent to approximately $7,779,000)) due in November 2020 at 9% per annum, which is guaranteed by Mr. Kong Kam Yu, an executive director of the Company.

(c) Financing arrangements with joint ventures and associates

(i) As at 30 September 2018, the Group provided financing to a subsidiary of Golden Meditech Javadi Precision Medicine Limited ("GM Javadi") with an aggregate amount of $85,246,000 (31 March 2018: $76,666,000), which included (x) a loan with a principal amount of US$8,229,000 (equivalent to approximately $64,186,000) (31 March 2018: US$8,229,000 (equivalent to approximately $64,186,000)) due in January 2022 at the United States prime rate; and (y) advances to GM Javadi of US$2,700,000 (equivalent to approximately $21,060,000) (31 March 2018: US$1,600,000 (equivalent to approximately $12,480,000)) with no planned settlement schedule.

During the six months ended 30 September 2018, interest income from the loan to GM Javadi was $1,980,000 (six months ended 30 September 2017: $1,416,000).

(ii) 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 for a period of 3 years at 9% per annum. As at 30 September 2018, the subsidiary of LFC has aggregately drawn-down SGD3,500,000 (equivalent to approximately $20,036,000) (31 March 2018: SGD1,300,000 (equivalent to approximately $7,779,000)).

During the six months ended 30 September 2018, interest income from the loan to the subsidiary of LFC was $654,000 (six months ended 30 September 2017: $nil).

(iii) On 13 August 2018, Golden Meditech K.K. ("GM K.K."), an indirect wholly-owned subsidiary of the Company, and Magnum Opus International Holdings Limited ("Magnum Opus") (a wholly-owned company of Mr. Kam Yuen, the chairman and executive director of the Company) entered into a shareholders loan agreement (the "Shareholders Loan Agreement") with ASA Asset Management Co., Ltd. ("ASA"), a joint venture of the Company. Pursuant to the Shareholders Loan Agreement, GM K.K. and Magnum Opus conditionally agreed to provide a loan in an aggregate principal amount of JPY2,400,000,000 for a period of 5 years at 5% per annum, of which JPY1,200,000,000 to be provided by each of GM K.K. and Magnum Opus in proportion to their equity interests in ASA.

As at 30 September 2018, carrying amount of the loan to ASA was JPY1,200,000,000 (equivalent to approximately $82,680,000). During the six months ended 30 September 2018, interest income from the loan to ASA was $550,000.

23 NON-ADJUSTING EVENTS DURING 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 Golden Meditech Technology (Shanghai) Company Limited ("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 during the year ended 31 March 2018, and recorded as non-current other receivables as at 31 March 2018.

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.

On 31 July 2018, the Group terminated the LP Transfer Agreement with the Vendor as conditions set out in the LP Transfer Agreement was not satisfied. Accordingly, the GP Framework Agreement was also terminated. Management believes that termination of the LP Transfer Agreement would not have any material adverse impact on the business, operation and the financial position of the Group.

On 8 August 2018, the Vendor returned the refundable deposit together with the accrued interest amounted to RMB318,000,000 (equivalent to approximately $365,140,000 at refund date) to the Group.

Further details of the LP Transfer Agreement, the GP Framework Agreement, termination of the LP Transfer Agreement and GP Framework Agreement as well as the refund of refundable deposit are set out in the Company's announcement dated 4 February 2018, 31 July 2018 and 8 August 2018, respectively.

* English name is for identification purpose only.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report. The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2018 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the leases. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

Upon the initial adoption of HKFRS 16 at 1 April 2019, the present value of most of the future minimum lease payments that are payable after six months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. 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.

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

As at 30 September 2018, the interests and short positions of the directors (the "Directors") and chief executives of Golden Meditech Holdings Limited (the "Company", and together with its subsidiaries, the "Group") 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 (i) were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange 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") were as follows:

Long positions in ordinary shares of HK$0.20 each of the Company (the "Shares")

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	1,148,237,526[(1)]	–	1,148,237,526	39.36%
	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 1,148,237,526 Shares which Bio Garden Inc. ("Bio Garden") was interested in as at 30 September 2018 (the "Bio Garden Shares") by virtue of him being the founder of a discretionary trust 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 Opus 3 International Holdings Limited ("Magnum 3") was interested in as at 30 September 2018 by virtue of him owning 100% voting ordinary shares of Magnum 3.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Save as disclosed above, as at 30 September 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 were required (i) 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 have taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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 of Directors (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).

SHARE OPTION SCHEME (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 scheme described above, at no time during the period 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 period.

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

As at 30 September 2018, the interests and short positions of the shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

(a) Long positions of substantial shareholders

Name	Capacity and nature of interest	No. of issued Shares	Approximate percentage of the Company's issued share capital
Bio Garden(1)(4)	Beneficial owner	1,148,237,526(3)	39.36%
Golden Fountain Investments Limited ("Golden Fountain")(2)	Interest of controlled corporation	1,148,237,526(3)	39.36%
Alpadis Trust (HK) Limited ("Alpadis Trust")(2)	Trustee	1,148,237,526(3)	39.36%
Alpadis Group Holding SA ("Alpadis Group")(2)	Interest of controlled corporation	1,148,237,526(3)	39.36%
Mr. ESSEIVA Alain(2)	Interest of controlled corporation	1,148,237,526(3)	39.36%
Mr. GUBLER Moritz(2)	Interest of controlled corporation	1,148,237,526(3)	39.36%

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

(a) Long positions of substantial shareholders (continued)

Name	Capacity and nature of interest	No. of issued Shares	Approximate percentage of the Company's issued share capital
Ms. LAI Sui Lin(2)	Interest of spouse	1,148,237,526(3)	39.36%
Qin Wall Investment Holdings Limited ("Qin Wall")(4)(5)	Securities interest in shares	1,078,774,034	36.98%
Huarong Real Estate Co. Ltd. ("Huarong Real Estate")(4)(5)	Securities interest in shares	1,078,774,034	36.98%
China Huarong International Holdings Limited ("China Huarong International")(4)(5)	Securities interest in shares	1,078,774,034	36.98%
China Huarong Asset Management Co., Ltd. ("China Huarong Asset")(4)(5)	Securities interest in shares	1,078,774,034	36.98%
Magnum 3(4)(6)	Beneficial owner	968,774,034	33.21%
Ms. LIU Yang(7)	Interest of controlled corporation	327,030,529	11.21%
Atlantis Capital Holdings Limited(7)	Interest of controlled corporation	327,030,529	11.21%
Atlantis Investment Management Limited ("Atlantis")(7)	Beneficial owner	327,030,529	11.21%

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 have more than 5% interests	Capacity and nature of interest	No. of issued Shares	Approximate percentage of the Company's issued share capital
Riverwood Asset Management (Cayman) Ltd. ("Riverwood")[7]	Investment manager	235,028,325	8.06%

Notes:

(1) Bio Garden is an investment holding company incorporated in the British Virgin Islands ("BVI"). It was wholly-owned by a discretionary trust 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) Bio Garden was owned as to 18% by each of Gold Rich Investment Limited ("Gold Rich") and Gold View Investment Limited ("Gold View") and as to 64% by Golden Fountain. Alpadis Trust is the trustee of a discretionary trust as referred to in (1) above, which owns 100% shareholding interests in each of Gold Rich, Gold View and Golden Fountain. Alpadis Group directly and indirectly owned 100% interests in Alpadis Trust. Alpadis Group was in turn owned as to 42.5% by each of Mr. ESSEIVA Alain and Mr. GUBLER Moritz. Accordingly, each of Golden Fountain, Alpadis Trust, Alpadis Group, Mr. ESSEIVA Alain, Mr. GUBLER Moritz and Ms. LAI Sui Lin (being the spouse of Mr. GUBLER Moritz) were deemed, under the SFO, to have an interest in the Bio Garden Shares.

(3) These interests represent the same block of Shares.

(4) 968,774,034 Shares and 110,000,000 Shares owned by Magnum 3 and Bio Garden (as chargors) respectively have been charged to Qin Wall under the deeds of share charge dated 10 May 2018 and 18 July 2018, respectively.

(5) Qin Wall is a limited liability company incorporated in BVI, which was wholly-owned by China Huarong International. China Huarong International was owned as to 88.10% and 11.90% by Huarong Real Estate and Huarong Zhiyuan Investment & Management Co. Ltd. ("Huarong Zhiyuan"). Both Huarong Real Estate and Huarong Zhiyuan were wholly-owned by China Huarong Asset.

(6) 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. Mr. Kam is also one of the directors of Magnum 3.

(7) 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.

Save as disclosed above, as at 30 September 2018, the Directors are not aware of any other person (other than Directors or the chief executives of the Company) or corporation having an interest or short position in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REPORT ON CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2018, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules, except for code provision A.2.1. The following summarises the requirements under the relevant code provision and the Company's reasons for such deviation:

Code Provision A.2.1

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 is the chairman and chief executive of the Company responsible for managing Board and the businesses of the Group. 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 judgment, knowledge and experience to the Board's deliberations. The Board believes that this structure is conducive to strong and consistent leadership for the Group, enabling it to make and implement decisions promptly and efficiently.

Mr. Kam has been both the chairman and chief executive of the Company since the listing of the Company's shares in 2001. He has substantial experience in the healthcare industry. The Board and management are of the view that the assumption of those positions by Mr. Kam is beneficial to the business development of the Group.

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with, or they were not aware of any non-compliance with the required standards of dealings during the six months ended 30 September 2018.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflicts of interest with the Group.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

There is no change in the information of the Directors and chief executives since the publication of the annual report of the Company for the year ended 31 March 2018 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. The primary duties of the audit committee are to review the Company's annual report and interim report, the Group's financial control, internal control and risk management systems and to provide advice and comments thereon to the Board.

The audit committee comprises three independent non-executive Directors, namely Prof. CAO Gang (chairman of the audit committee), Prof. GU Qiao and Mr. GAO Yue.

The audit committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial reporting matters with the Directors, including a review of the unaudited interim report for the six months ended 30 September 2018.

By order of the Board
KAM Yuen
Chairman

HONG KONG, 26 November 2018

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. KAM Yuen *(Chairman)*
Mr. KONG Kam Yu
Mr. FENG Wen

NON-EXECUTIVE DIRECTORS

Ms. ZHENG Ting

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. CAO Gang
Mr. GAO Yue
Prof. GU Qiao
Mr. Daniel FOA

REGISTERED OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 11 Wan Yuan Street
Beijing Economic Technological Development Area
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

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

INVESTOR RELATIONS OFFICER

Ms. Joanna Rui, Investor Relations Manager
Email: ir@goldenmeditech.com

WEBSITE

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