GOLDEN MEDITECH HOLDINGS LIMITED
金衛醫療集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00801)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020 AND CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING ENTITLEMENT TO ATTEND THE ANNUAL GENERAL MEETING

Annual results for the year ended 31 March 2020

The board of directors (the "**Board**") of Golden Meditech Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") submitted herewith the consolidated audited results of the Company and its subsidiaries for the twelve months ended 31 March 2020. This announcement, containing the full text of the 2019/2020 Annual Report of the Company, is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to announcements of annual results. Printed version of the Company's 2019/2020 Annual Report is also available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkex.com.hk and of the Company at http://www.goldenmeditech.com.

Dividend

The Board did not recommend the payment of a final dividend in respect of the year ended 31 March 2020. The Board will re-visit the Group's future capital need and consider the possibility of declaring dividend in future.

Closure of register of members for determining entitlement to attend the annual general meeting to be held on 28 September 2020 (the "AGM")

The register of members of the Company will be closed from Wednesday, 23 September 2020 to Monday, 28 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare

Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 22 September 2020.

By Order of the Board
Golden Meditech Holdings Limited
Feng Wen
Chairman

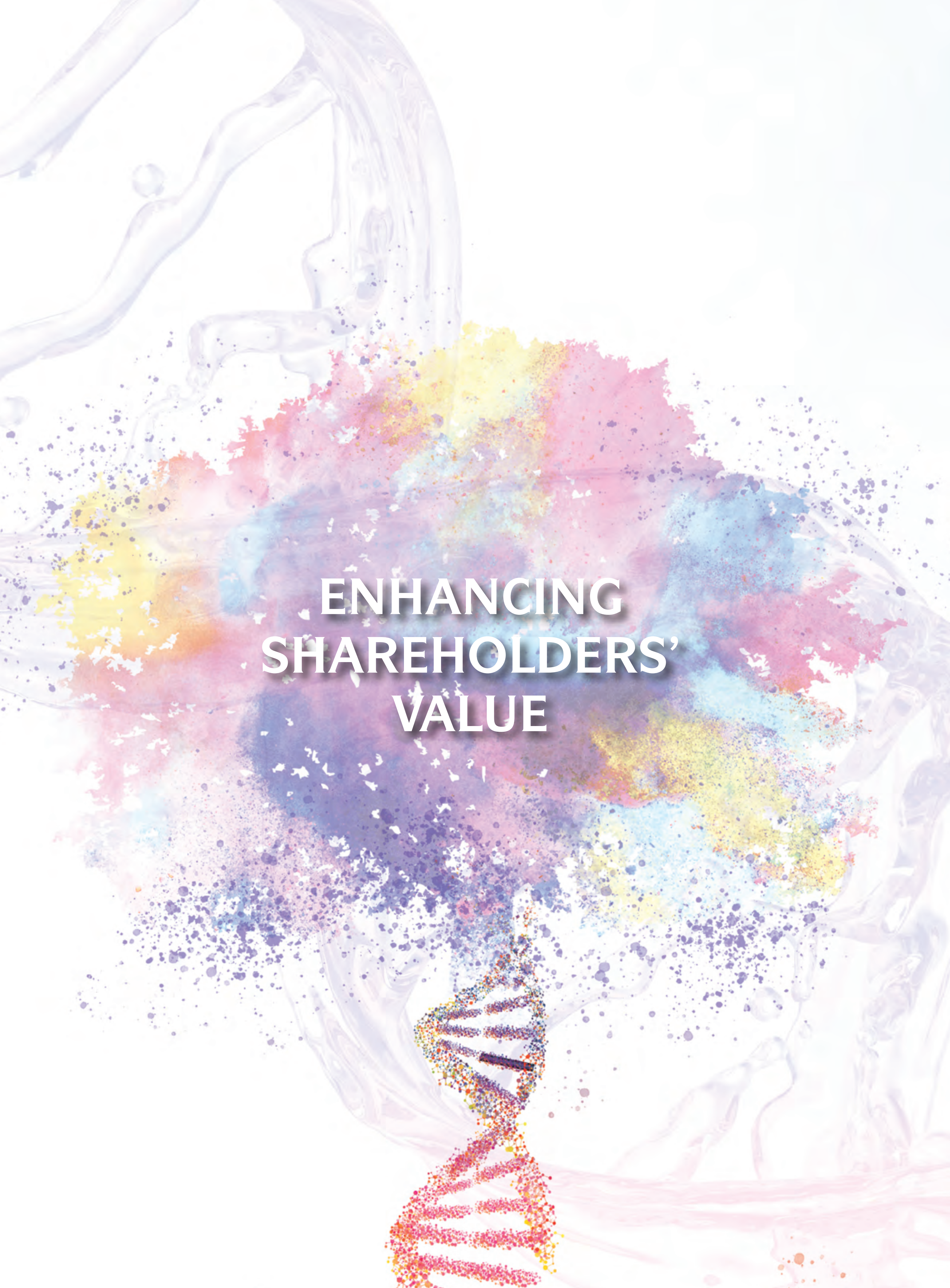
Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises five directors. The executive directors are Mr. Feng Wen (Chairman) and Mr. Leong Kim Chuan (Chief executive); and the independent non-executive directors are Mr. Gao Yue, Mr. Poon Tsz Hang and Mr. Daniel Foa.

GOLDEN MEDITECH HOLDINGS LIMITED
金衛醫療集團有限公司

ANNUAL REPORT
2019/20

(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 801.HK)


ENHANCING
SHAREHOLDERS'
VALUE

CONTENT

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) Co., Ltd., 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 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 has built 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.

CORPORATE HISTORY AND MILESTONES

2020	•	Cellenkos, Inc. ("Cellenkos"), a 22.74% associate of the Group, obtained approval from U.S. Food and Drug Administration ("FDA") to carry out Phase I clinical trial of product CK0802 for treatment of COVID-19 associated acute respiratory distress syndrome
2019	•	Teamed up with Hong Kong Baptist University to conduct cell therapy research
	•	Cellenkos obtained approval from U.S. FDA to carry out phase I clinical trial of product CK0801 for treatment of bone marrow failure syndrome and Guillain-Barré syndrome
2018	•	Entered into the cells and tissues storage business and the genetic testing business, laying out strategies for entire biomedical value chain from cells and tissues storage to clinical applications
	•	Cellenkos registered its manufacturing facility as good manufacturing practice ("GMP") compliant with U.S. FDA for manufacturing cord blood-derived regulatory T-cells
	•	Acquired the 50.0% equity interests in KINKA Asset Management Co., Ltd., Japan
	•	Successfully completed the disposal of the Group's entire 65.4% equity interest in Global Cord Blood Corporation ("GCBC")
	•	Voluntary delisting of the Taiwan depositary receipts on the Taiwan Stock Exchange
2017	•	Entered into the precision medicine business and established cooperations with the University of Texas at MD Anderson Cancer Center and Hope Health Center in the U.S., respectively
	•	Beijing Sunbow Obstetrics & Gynecology Hospital commenced operation
2015	•	Acquired the remaining equity interest in GM Hospital Group Limited to consolidate shareholdings in hospital management business
2014	•	New cord blood storage facilities in Guangdong Province and Zhejiang Province opened in the first half of fiscal year 2015
2013	•	Qinghe Hospital located in Beijing Haidian District started its trial run
2012	•	The medical devices segment established a new distribution business for imported high-end overseas medical devices

CORPORATE HISTORY AND MILESTONES

2011	•	Became the first healthcare enterprise from Mainland China to list its depositary receipts on the Taiwan Stock Exchange
	•	Acquired Shanghai East International Medical Center to enter into premium healthcare services market
	•	GCBC secured an exclusive licence to operate cord blood storage business in Zhejiang Province
2010	•	Changed its name to "Golden Meditech Holdings Limited", to better reflect the Group's integrated business model, diversified revenue streams and depth exposure in Mainland China's healthcare industry
	•	Jointly launched Mainland China's first third-party medical insurance administration, GM-Medicare Management (China) Co., Ltd. with two leading US-based health maintenance organisations
2009	•	New cord blood storage facility, then the largest cord blood storage facility in the world in terms of capacity and daily processing volume, commenced operation in Beijing
	•	Transferred listing from the GEM ("GEM") onto the Main Board of the Hong Kong Stock Exchange Limited (SEHK: 801)
	•	Entered into the hospital management business
	•	GCBC (NYSE: CO) successfully listed on the New York Stock Exchange
2008	•	New cord blood storage facility in Guangdong Province commenced operation
2007	•	Expansion of cord blood storage business into Guangdong Province
2003	•	Strategic investment in the first cord blood bank in Mainland China and commencement of cord blood storage business in Beijing
2002	•	Medical devices production facility located in Beijing commenced production
2001	•	Listed on the GEM of the Stock Exchange of Hong Kong Limited (SEHK: 8180)

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

First of all, on behalf of the board of directors (the "Board") of Golden Meditech Holdings Limited (the "Company" or "Golden Meditech", together with its subsidiaries, collectively referred to as the "Group"), I would like to pay my most sincere tribute to all our staff, in particular our frontline staff and their families who are combatting the 2019 novel coronavirus ("COVID-19") outbreak, for your passion and contribution!

The Group's annual results for the fiscal year ended 31 March 2020 (the "Year") fluctuated and its revenue decreased slightly by 2.7% year-on-year to HK$307,141,000. This was because the impact of COVID-19 outbreak was only started in early 2020. Nevertheless, the Group is confident to deal with the tough time ahead, and we will try our best to minimise the impact of the pandemic on the Group's results in anticipation of the challenging market environment.

Hospital business, a key focus of the Group, maintains a positive development momentum. Beijing Sunbow Obstetrics & Gynecology Hospital continues to refine its medical services and management. It still managed to record a revenue of HK$39,924,000 during the Year, up 29.6% on the prior year, even though it encountered countless difficulties in daily operation during the pandemic in the first quarter of 2020. Shanghai East International Medical Center has relocated to the expanded new site in the second half of 2019 in order to meet the growing demand for the high-end healthcare services. It operates as usual during the pandemic. Additionally, Beijing Qinghe Hospital contributes a stable cash flow return to the Group through its leasing model.

The Chinese healthcare industry continues to develop steadily and healthily with the support of favourable policies. Notably, the public demand for quality healthcare services is increasing as driven by the improved China's per capita income, the aging population and the trend of people suffering from cancer diseases at a younger age. At the same time, people are relying more on innovations in biomedical technology.

In response to the currently known and foreseeable market potential, significant research and development works are being carried out globally to discover and explore a wide variety of immunotherapies, target therapies and combinations of therapies. According to the Frost & Sullivan Report, it is expected that global industry spending on cancer immunotherapy will increase from US$20.6 billion in 2018 to US$75.5 billion in 2023. Industry spending on cellular immunotherapy in China is expected to grow rapidly to RMB58.4 billion in the next decade (2021–2030).

During the Year, the Group has obtained a number of interim achievements in the research and development of cell therapy, laying a solid foundation for the Group to penetrate into high-end healthcare market with a first-mover advantage in the big health industry. The Group's associate, Cellenkos, has initiated Phase I clinical trial of its lead product, CK0801, for treatment of bone marrow failure syndrome as well as Guillain-Barré syndrome. In June 2020, the US Food and Drug Administration has cleared the way for Cellenkos to initiate a Phase I clinical trial of CK0802 (cryopreserved cord blood derived T-regulatory cells) for treatment of COVID-19 associated acute respiratory distress syndrome.

Golden Meditech involves heavily in the healthcare industry. It has a wide and yet unique business scope ranging from the sales and production of precision medical devices and consumables, the provision of high-end healthcare services in hospitals to the medical insurance administration and consultation, and extending further to research and development in the biomedicine field. The growth and development of each business segment of the Group have reflected its in-depth business insights and visions within the healthcare sector.

OUTLOOK

As a leading integrated healthcare enterprise in China, Golden Meditech will, as always, capture the opportunities brought by the upgrading and development of the healthcare industry. We aim to realise the advancement of the Group's businesses through actively participating in fast-growing big-health market. The Group is committed to further integrate its resources and strengthen the synergies of its various business segments. These initiatives will help to enhance the industrial upgrade and innovative development of the Group's big health business. In order to improve the healthcare services segment's operating results, the Group continues to build and enrich its various disciplines in its existing hospitals, with a view to tapping the potential of high-end healthcare services market. Concurrently, Golden Meditech will take advantage of the long-term competitiveness created by the nation-wide marketing network of its medical devices segment, with the aim of expanding the sales channels as well as the sales volume of the medical device.

According to the relevant national plans, the "Healthy China Strategy" is expected to drive the big health industry spending to exceed RMB16 trillion comes the year 2030. In comparison with the developed countries' experience in healthcare development, the big health spending as a percentage of Gross Domestic Product in China is less than 5%, which is far behind that of developed countries (above 10%). It is highly possible that China will continue to implement favourable policies and encourage the development of big health industry since the industrial restructuring is becoming the norm. The next ten years is set to be the golden decade of the big health industry, representing a huge opportunity to the Group.

On behalf of the Board, I would like to take this opportunity to thank you, our valued shareholders and partners, for your continuing support of Golden Meditech. I also wish our staff and their families good health!

FENG Wen
Chairman
30 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Golden Meditech Holdings Limited (the "Company" or "Golden Meditech", together with its subsidiaries, collectively referred to as the "Group") is an integrated healthcare enterprise. Its main operations include the healthcare services segment and the medical devices segment. The healthcare services segment currently consists of hospital business, medical insurance administration business, cells and tissues storage business and genetic testing services business. The medical devices segment currently consists of the manufacturing of and sale of medical devices and medical device consumables. In addition, the Group has also ventured into precision medicine, cell therapy and auxiliary businesses. The Group's annual results for the fiscal year ended 31 March 2020 ("FY2019/2020" or the "Year") fluctuated. It recorded a slight decrease in revenue on a year-on-year basis as the impact from the 2019 novel coronavirus ("COVID-19") outbreak started to show in early 2020.

Healthcare Services Segment

Hospital Business

With the issue of the Opinions on Promoting the Sustainable and Regulated Development of Private Medical Institutions (《關於促進社會辦醫持續健康規範發展的意見》) by the National Health Commission, together with ten relevant government authorities, the private healthcare enterprises welcomed a new round of policies support. The Chinese government proposed to increase support for private healthcare enterprises and encouraged the establishment and operation of high-quality general practice clinics by private capital, with an aim to promote development of specialist disciplines and build a number of competitive specialist service centers. All three hospitals of the Group possess unique competitiveness in the markets where they operate and value the importance of improving their management capability and medical service quality. Through these integrity as well as quality services, all three hospitals manage to win patients' trust and achieve sustainable and steady development of their businesses.

Beijing Qinghe Hospital ("Qinghe Hospital") specialises in haematology and provides a broad range of medical disciplines. It offers 500 beds, of which 48 beds are haematology wards. Qinghe Hospital owns advanced technologies in the areas of laboratory tests, treatment and diagnosis, and possesses cutting-edge technology in various hematopoietic stem cells transplantation. Additionally, equipped with domestic and international advanced diagnostic and treatment equipment, Qinghe Hospital offers over ten disciplines which provide professional and precise healthcare services to its neighbourhoods. Qinghe Hospital derives a stable leasing income from Peking University People's Hospital (北京大學人民醫院).

Beijing Sunbow Obstetrics & Gynecology Hospital ("Sunbow O&G Hospital") provides international standard obstetrics, gynecology and pediatric medical services with 99 beds. Equipped with sophisticated medical equipment, Sunbow O&G Hospital hires professional and experienced medical talents from famous hospitals. It brings safe and assured medical treatment experience to its expectant mothers and patients through standardised consulting procedures, personalised private doctor tracking system, psychological guidance and other customised services. In addition, Sunbow O&G Hospital continues to upgrade and improve postnatal health care center services and introduces medical cosmetology center services, bringing diverse revenue streams to the Group.

Leveraging on its renowned international hospital brand, Shanghai East International Medical Center ("SEIMC") provides premium and comprehensive healthcare services in Shanghai and its surrounding neighbourhoods. SEIMC owns a team of experienced Chinese and foreign medical experts and offers quality medical services to both local and foreign customers. In order to meet the increasing demands of high-end healthcare services market, SEIMC carried out expansion work and relocated to the new operating site.

On the whole, the COVID-19 outbreak has caused certain impact on the Group's hospital business. However, Sunbow O&G Hospital continued to achieve revenue growth in the past several years, benefiting from its excellent reputation as well as innovative and quality services. In addition, SEIMC maintained business operation during the pandemic, and Qinghe Hospital continued to provide a stable rental income. These are the key drivers for the steady growth of the overall business of the Group.

Medical Insurance Administration Business

GM-Medicare Management (China) Co., Ltd. ("GM-Medicare") is one of the pioneer information technology solution providers in healthcare insurance sector in China. It focuses on providing risk control, claim settlement, information value-added services and healthcare management services for the governmental healthcare insurance agencies and commercial insurance customers as well as healthcare service institutions. With its extensive experiences and resources in domestic and overseas healthcare insurance outsourcing service industry, GM-Medicare provides comprehensive third-party administrator ("TPA") services to many home and abroad commercial insurance companies and governmental healthcare insurance agencies, enabling these business partners to enhance business growth and create greater value through product optimisation, cost control, healthcare risk control, data analysis and in-depth healthcare management services. GM-Medicare is the first TPA agency in China that plays a significant role in providing off-site real-time bill settlement and review management and services to governmental healthcare insurance agencies.

Cells and Tissues Storage Business

Shanghai GM LifeBank Co., Ltd. ("GM LifeBank") is engaged in the collection, processing, storage and clinical application of cells and tissues. 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 Shanghai Municipal Health Commission. It is principally engaged in the provision of high-end clinical molecular genetic testing and molecular pathology testing services. These professional testing services include, but not limited to, the diagnosis of genetic diseases of newborn babies, early diagnosis of tumor, guidance in personalised medicine, therapeutic evaluation and prognosis estimation, etc. Leveraging on its international standard equipment, advanced technology and competent management, GM Diagnosis has built a CAP (the College of American Pathologists) accredited third-party medical laboratory at international standards.

Medical Devices Segment

The Group is primarily engaged in the development, manufacture, sales and distribution of blood-related medical devices in Mainland China. Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing"), a leading medical device manufacturer in China, provides domestically developed products that specialised in blood recovery, purification and treatment. Its self-developed flagship product Autologous Blood Recovery System ("ABRS") was the first device of its kind that obtained approval from the China Food and Drug Administration. ABRSs have been installed in hundreds of mid-to-large-sized hospitals in 31 provinces, cities and autonomous regions across the country. Jingjing has managed to establish a leading market position in China and maintain a strong competitiveness.

Strategic Investments

Chinese Herbal Medicines Business

The Chinese herbal medicine production base which is 100% owned by the Group is located in Shanghai Qingpu District with a site area of 58,000 square meters and is a good manufacturing practice ("GMP") approved production facility.

Precision Medicine and Cell Therapy Businesses

Extensive works have been carried out on the innovative research and development of tumor immunotherapies around the world, which is believed to have a huge development potential. The Group is progressively growing its involvement in this immunotherapies field. At present, its precision medicine and cell therapy collaborations based in the United States ("U.S.") are focusing on the therapies for the treating cancer and autoimmune related diseases.

Golden Meditech Javadi Precision Medicine Limited ("GM Javadi"), a 40.0% joint venture of the Group, is jointly established by the Group, Dr. Nader Javadi, a pioneer in precision medicine in the U.S., and an independent strategic investor. GM Javadi owns a renowned day clinic in the U.S. that focuses on the combined treatment of chemotherapy, immunotherapy and targeted therapy for various cancers.

Golden Meditech partnered with the University of Texas at MD Anderson Cancer Center and an independent strategic investor to set up Cellenkos, Inc. ("Cellenkos"), a 22.74% associate of the Group. Cellenkos aims to develop cord blood derived T-regulatory cellular therapies in treating autoimmune diseases as well as extending the therapies into Asian markets. Cellenkos owns a stand-alone manufacturing facility in Houston that meets GMP standards.

Other Investments

KINKA Asset Management Co., Ltd.

KINKA Asset Management Co., Ltd. ("KINKA", formerly known as ASA Asset Management Co., Ltd.), is a 50.0% joint venture of the Group, and 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 in Japan.

Life Corporation Limited ("LFC")

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. ("LCS"), a wholly-owned subsidiary of LFC, is currently constructing an automated columbarium in Singapore. Due to the pandemic, the construction is expected to be completed in the first half of 2021.

In June 2019, LFC's shareholders approved the capital reduction of LFC by a demerger (the "Demerger") (in species) distribution of all the issued shares in LCS on a pro rata basis to all existing shareholder of LFC. Upon completion of the Demerger, the Group directly holds 50.23% equity interests in LCS.

In August 2019, GM Investment Company Limited ("GM Investment"), a wholly-owned subsidiary of the Group, agreed to subscribe for the convertible note issued by LCS in the principal amount of SGD5,800,000 at the interest rate of 11% per annum compounded annually for a term of three years. The management is of the view that the subscription of the convertible note will assist LCS in completing the construction of the automated columbarium.

OTHER DEVELOPMENTS

Clinical Trial on Treatment of COVID-19 Associated Acute Respiratory Distress Syndrome

In June 2020, the U.S. Food and Drug Administration has cleared the way for Cellenkos to initiate Phase I clinical trial of CK0802 (cryopreserved cord blood derived T-regulatory cells) for treatment of COVID-19 associated acute respiratory distress syndrome.

Clinical Trial on Treatment of Bone Marrow Failure Syndrome and Guillain-Barré Syndrome

Cellenkos has initiated Phase I clinical trial of its lead product, CK0801, for treatment of bone marrow failure syndrome as well as Guillain-Barré syndrome in 2019.

Research on Treatment of Neurodegenerative Diseases

In April 2019, the Company collaborated with the Department of Biology of Hong Kong Baptist University to conduct in-depth research in the area of cell therapy, particularly treating neurodegenerative diseases with stem cells.

IMPAIRMENT PROVISION

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 to GM Investment the settlement sum of 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. In view of the downgrading of Sanpower's credit rating in the first half of 2019 and lack of improvement in liquidity during the Year, the management has decided to set aside a non-cash impairment provision of HK$18,642,000 (FY2018/2019: HK$378,843,000) against the outstanding receivables due from Sanpower during the fiscal year ended 31 March 2020 (please refer to the Company's announcements dated 14 November 2016, 16 January 2017 and 3 June 2019 respectively). The Group will continue to monitor the latest developments of Sanpower.

KEY FINANCIAL PERFORMANCE INDICATORS

In FY2019/2020, the Group recorded a slight revenue decrease of 2.7% year-on-year to HK$307,141,000. Among them, revenue generated from the healthcare services segment decreased by 9.6% year-on-year to HK$151,600,000, accounting for 49.4% of the Group's revenue; while the medical devices segment recorded a revenue increase of 3.2% year-on-year to HK$147,168,000, accounting for 47.9% of the Group's revenue.

* *English name is for identification purpose only.*

HEALTHCARE SERVICES SEGMENT

	FY2019/2020 (HK$'000)	FY2018/2019 (HK$'000)
Revenue from hospital business	**145,043**	147,014
Among which:		
SEIMC	**44,695**	49,159
Qinghe Hospital	**60,424**	67,040
Sunbow O&G Hospital	**39,924**	30,815
Revenue from medical insurance administration business	**5,036**	7,046
Revenue from cells and tissues storage and genetic testing services businesses	**1,521**	13,692
Selling, marketing and administrative expenses	**(183,477)**	(198,912)
Loss before interest, tax, depreciation and amortisation	**(59,553)**	(68,860)
Operating loss	**(139,495)**	(146,563)
Loss after tax	**(141,467)**	(150,484)

Fluctuations in the performance of the healthcare services segment were mainly caused by a number of factors, including the expansion work and relocation of SEIMC, the implementation of modification work to the laboratory and the impact of the pandemic. During the Year, revenue from hospital business, medical insurance administration business and cells and tissues storage and genetic testing services businesses have decreased by 1.3%, 28.5% and 88.9% year-on-year to HK$145,043,000, HK$5,036,000 and HK$1,521,000, respectively, accounting for 95.7%, 3.3% and 1.0% of the healthcare services revenue. Being the key expansion of the Group, hospital businesses maintain a sustainable development, laying a solid foundation for the steady development of the healthcare services segment.

Hospital Businesses

Sunbow O&G Hospital recorded revenue of HK$39,924,000, up 29.6% when compared to the same period last year. The increase was mainly attributable to the growing demand of expectant mothers for quality healthcare services, good reputation of the hospital and its innovative services.

Qinghe Hospital's rental income reduced by 9.9% to HK$60,424,000 as compared to the corresponding period last year. The decline was mainly caused by a decrease in utility income.

SEIMC has relocated to the new operating site after completing of the expansion work in the second half of 2019, and recorded a year-on-year decrease of 9.1% in revenue to HK$44,695,000 during the Year.

Medical Insurance Administration Business

Revenue from medical insurance administration business amounted to HK$5,036,000 during the Year. Counting on its self-developed smart platform and cloud data processing center, comprehensive domestic and international background and experience in the healthcare sector as well as extensive network of medical institutions, the Group will further expand large insurance company customers, so as to enhance its business performance.

Cells and Tissues Storage and Genetic Testing Services Businesses

As a result of laboratory modification work during the Year, revenue generated from cells and tissues storage and genetic testing businesses was down by 88.9% to HK$1,521,000.

During the Year, selling, marketing and administrative expenses from the healthcare services segment dropped by 7.8% year-on-year to HK$183,477,000, largely due to management cost saving initiatives.

Operating loss from healthcare services segment decreased slightly by 4.8% year-on-year to HK$139,495,000 during the Year, mainly caused by the decrease in selling, marketing and administrative expenses.

MEDICAL DEVICES SEGMENT

	FY2019/2020 (HK$'000)	FY2018/2019 (HK$'000)
Revenue from medical devices	**2,727**	2,087
Revenue from medical device consumables	**92,398**	100,998
Revenue from distribution of third parties medical device and consumables	**52,043**	39,479
Selling, marketing and administrative expenses	**(89,579)**	(90,449)
(Loss)/profit before interest, tax, depreciation and amortisation	**(3,696)**	2,326
Operating loss	**(14,001)**	(6,988)
Loss after tax	**(14,260)**	(9,636)

The medical devices segment showed steady development. During the Year, revenue from sales of medical devices and distribution of third parties medical device and consumables increased by 30.7% and 31.8% year-on-year to HK$2,727,000 and HK$52,043,000, respectively. This was mainly attributable to the increased sales volume as a result of the downward adjustment to the prices of the medical devices by the Group, and the increased selling prices of the third parties medical device and consumables. Revenue from medical device consumables decreased by 8.5% year-on-year to HK$92,398,000, mainly due to the effect of the pandemic.

During the Year, selling, marketing and administrative expenses from the medical devices segment decreased by 1.0% year-on-year to HK$89,579,000 with no material fluctuation.

Operating loss from medical devices segment increased by 100.4% year-on-year to HK$14,001,000 during the Year. The fluctuation was primarily due to the decrease in interest income from bank deposits and increased production cost of medical device consumables.

STRATEGIC INVESTMENTS

	FY2019/2020 (HK$'000)	FY2018/2019 (HK$'000)
Revenue from Chinese herbal medicines business	**8,373**	5,352
Selling, marketing and administrative expenses	**(27,358)**	(24,720)
Profit before interest, tax, depreciation and amortisation	**6,965**	1,554
Operating loss	**(16,877)**	(19,730)
Share of net losses of Cellenkos, LFC and LCS, GM Javadi, KINKA and Seragaki Okinawa Joint Venture Limited ("SOJV")	**(28,866)**	(23,669)
Changes in fair value of LCS convertible note	**1,864**	–
Changes in fair value of Cellenkos warrant	**–**	(1,598)
Loss after tax	**(40,597)**	(41,580)

The Group's strategic investments include the Chinese herbal medicines business, and investments in associates and joint ventures.

During the Year, the Chinese herbal medicines business recorded a revenue of HK$8,373,000, up 56.4% when compared to the corresponding period last year. The increase was primarily attributable to the improved sales volume in certain regions. The operating loss of strategic investments fell by 14.5% to HK$16,877,000 as compared to the corresponding period last year. The decrease was mainly benefitted from the increase in sales of the Chinese herbal medicines as well as the increase in loan interest income from associates and joint ventures.

Losses attributable to the Group from Cellenkos, LFC and LCS, GM Javadi, KINKA and SOJV were HK$10,242,000, HK$1,827,000, HK$4,347,000, HK$1,075,000 and HK$11,375,000 during the Year, respectively. The Group's strategic investments in these associates and joint ventures are at their preliminary development stage and are believed to be conducive to the Group's future development in the healthcare sector.

FUTURE DEVELOPMENT

Looking ahead, the Group will promote its industrial upgrade and innovations in the healthcare sector by seizing the opportunities arising from the healthcare industry and keeping abreast with the latest development trend of the industry. The Group will further integrate its resources and strengthen the synergetic effect among various business segments. With respect to healthcare services, the Group will continue to build the predominant disciplines of its hospitals, strive to establish its brand image, and fully tap into the market potential of the premium healthcare services, with an aim to improve its operating results and profitability. At the same time, the Group will fully utilise the long-term competitiveness underpinned by its nationwide sales network to expand the sales channels and sales volume of medical devices. As a leading integrated healthcare enterprise in China, the Group will keep pace with the national healthcare reforms and is committed to offer its patients with the highest quality services and products, while creating sustainable and favourable returns for the shareholders of the Company.

GROUP FINANCIAL REVIEW

Revenue

During the Year, the Group recorded revenue of HK$307,141,000, representing a decrease of 2.7% year-on-year. Fluctuation was mainly attributable to the 9.6% decrease in revenue of healthcare services segment, which was caused by the net impact of (i) the significant drop in revenue from cells and tissues storage and genetic testing services businesses as a result of its laboratory modification work during the Year; (ii) the declined revenue in SEIMC as caused by its relocation during the Year; (iii) the rental revenue drop in Qinghe Hospital owing to decreased utility income; and (iv) the increase in revenue of Sunbow O&G Hospital due to the growing demand of expectant mothers for quality healthcare services. Yet, such fluctuation was partially offset by the 3.2% revenue increase in medical devices segment, which was mainly contributed by the increased selling price of the distribution of third parties medical device and consumables.

Gross Profit Margin

The Group's gross profit margin decreased by 4.0 percentage point year-on-year to 38.6%. Fluctuation was mainly caused by the excess of the decreased revenue of SEIMC over its decreased cost of sales, and the increased operational costs of Qinghe Hospital, leading to a significant decrease in gross profit margin of the healthcare services segment. Furthermore, the increased production cost of medical device consumables also led to a decreased gross profit margin of the medical devices segment. During the Year, the healthcare services segment and the medical devices segment reported gross profit margins of 30.3% and 51.2%, respectively, as compared to 36.9% and 54.4% in the corresponding period last year.

Other Net Income

During the Year, the Group recorded other net income of HK$117,494,000, representing a decrease of 14.9% year-on-year. The decrease was mainly attributable to the decrease in interest income from other receivables related to the settlement agreement with Sanpower from HK$86,478,000 in the corresponding period last year to HK$28,834,000. Yet, such decrease was partially offset by other items, including (i) the increase in bank interest income from HK$16,995,000 in the corresponding period last year to HK$38,072,000, which included an interest income from a pledged deposit of HK$30,913,000 received on the maturity date; and (ii) the 84.6% increase in unrealised exchange gain on the Group's Renminbi ("RMB")-denominated bank loans of HK$44,348,000 caused by the depreciation of RMB, as compared to an amount of HK$24,029,000 recorded in the corresponding period last year.

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 Year totaled HK$380,798,000, representing a decrease of 14.1% year-on-year, which was mainly caused by the decrease in staff costs and directors' remunerations.

Impairment Loss on Other Receivables

In November 2016, GM Investment and Sanpower entered into a conditional settlement agreement. Pursuant to which, Sanpower agreed to pay a settlement sum of US$300,000,000 (equivalent to approximately HK$2,340,000,000) to GM Investment by five instalments within 36 months.

During the first half of FY2018/2019, it had come to the attention of the Group's management that Sanpower was facing credit crunch and it might not be able to punctually settle the fourth and fifth instalments (the respective due dates of which being 14 February 2019 and 14 November 2019) pursuant to the settlement agreement. Accordingly, the management set aside a non-cash provision of HK$92,882,000 against the outstanding receivables due from Sanpower in the corresponding period last year.

In March 2019, the Group issued a demand letter to each of Sanpower and Mr. Yuan, the guarantor of Sanpower under the settlement agreement, demanding the settlement of the fourth instalment by 31 March 2019. As a result of the further downgrading of Sanpower's credit rating, the management of the Group decided to increase its non-cash impairment loss against the outstanding receivables due from Sanpower to HK$378,843,000 in the corresponding period last year.

During the Year, owing to the lack of improvement in liquidity of Sanpower, the Group further set aside the non-cash impairment loss against the outstanding receivables due from Sanpower by HK$18,642,000. Such provision will not have any adverse impact on the ongoing operations of the Group.

Loss from Operations

The Group recorded an operating loss of HK$163,428,000 for the Year. Excluding the abovementioned interest income from other receivables, unrealised exchange gain on the Group's RMB-denominated bank loans, and the impairment loss on other receivables, the adjusted operating loss decreased by 22.6% to HK$217,968,000 as compared to HK$281,527,000 in the corresponding period last year. The fluctuation was mainly attributable to the abovementioned increase in bank interest income and the drop in selling, marketing and administrative expenses, which were also partially offset by the decrease in gross profit.

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

During the Year, the Group recorded net fair value losses on other financial assets of HK$37,057,000 (2019: HK$13,971,000), which was largely attributable to the fair value changes of the fund investments held by the Group.

Finance Costs

During the Year, finance costs decreased by 30.4% year-on-year to HK$51,656,000, which was due to lower level of leverage of the Group, and lower interest rates on new interest-bearing borrowings.

Income Tax Expense

During the Year, The Group's total income tax expense amounted to HK$4,515,000, representing a significant decrease of 89.0% as compared to the corresponding period last year. Fluctuation was largely attributable to the withholding tax on dividend distributed by a wholly-owned PRC subsidiary of the Group of HK$37,763,000 recorded in the corresponding period last year.

Loss Attributable to Equity Shareholders of the Company

Loss attributable to equity shareholders of the Company was HK$261,364,000 for the Year. Excluding the abovementioned interest income from other receivables, unrealised exchange gain on the Group's RMB-denominated bank loans, impairment loss on other receivables and the withholding tax on PRC dividend for the corresponding period last year, adjusted loss attributable to equity shareholders of the Company was HK$315,904,000. This represented a decrease of 14.5% when compared to the adjusted loss attributable to equity shareholders of the Company of HK$369,345,000 in the corresponding period last year. The fluctuation was mainly attributable to the decrease in adjusted operating loss and finance costs as discussed above, which were partially offset by the fluctuation in changes in fair value of other financial assets.

Current Assets and Total Assets

As at 31 March 2020, the Group's total current assets and total assets were HK$3,793,797,000 and HK$7,093,014,000 (31 March 2019: HK$3,923,246,000 and HK$7,360,347,000), respectively.

Liquidity and Financial Resources

As at 31 March 2020, the Group's cash and bank deposits amounted to HK$1,116,853,000 (31 March 2019: HK$3,740,971,000) and total interest-bearing borrowings stood at HK$909,253,000 (31 March 2019: HK$915,425,000). Of which, bank borrowings of HK$853,018,000 (31 March 2019: HK$894,889,000) were secured by bank deposits of HK$945,155,000 (31 March 2019: bank deposits of HK$643,275,000, and Group's interests in a leasehold land located in the PRC with a carrying amount of HK$583,303,000).

Excluding those borrowings pledged by bank deposits, the Group's net interest-bearing borrowings as at 31 March 2020 were HK$56,235,000 (31 March 2019: HK$371,413,000). As at 31 March 2020, the Group's net cash and bank deposits were HK$171,698,000 (31 March 2019: HK$3,097,696,000).

Debt Ratio

As at 31 March 2020, based on the total interest-bearing borrowings divided by total equity, the Group's debt ratio was 23.5% (31 March 2019: 20.7%). Excluding the abovementioned borrowings pledged by bank deposits, the Group's adjusted debt ratio as at 31 March 2020 was 1.5% (31 March 2019: 8.4%). 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 31 March 2020, bank loans of HK$853,018,000 (31 March 2019: HK$894,889,000) were secured by bank deposits of HK$945,155,000 (31 March 2019: HK$643,275,000 and Group's interests in a leasehold land located in the PRC with a carrying amount of HK$583,303,000).

Employees

The Group employed 975 full-time staff in Hong Kong and in the PRC (31 March 2019: 958). During the Year, total staff costs (including directors' remunerations and the Mandatory Provident Fund) amounted to HK$179,030,000 (2019: HK$208,156,000).

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of Golden Meditech Holdings Limited (the "Company" and together with its subsidiaries, collectively referred to as the "Group") is pleased to present this Corporate Governance Report for the year ended 31 March 2020 (the "Reporting Period" or the "Year").

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

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

THE CG CODE

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

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

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

The Company has applied the principles as set out in the CG Code and complied with all the Code Provisions throughout the Reporting Period. It has also put in place certain Recommended Best Practices. The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the CG Code.

The Board

Responsibilities

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

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

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

Board Composition

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

During the Reporting Period, there were changes to the Board with effect from 24 May 2019 as follows:

(i) Mr. KAM Yuen has resigned as the Chairman of the Board (the "Chairman") and an Executive Director;

(ii) Mr. KONG Kam Yu has resigned as an Executive Director;

(iii) Ms. ZHENG Ting has resigned as a Non-Executive Director;

(iv) Prof. CAO Gang has resigned as an Independent Non-Executive Director, a member and the chairman of the audit committee of the Company (the "Audit Committee"), a member of each of the remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") of the Company;

(v) Prof. GU Qiao has resigned as an Independent Non-Executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee;

(vi) Mr. GAO Yue, an Independent Non-Executive Director, has resigned as the chairman of the Remuneration Committee;

(vii) Mr. FENG Wen, an Executive Director, has been appointed as the Chairman in replacement of Mr. KAM Yuen;

(viii) Mr. LEONG Kim Chuan has been appointed as an Executive Director;

(ix) Mr. POON Tsz Hang has been appointed as an Independent Non-Executive Director, a member and the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee; and

(x) Mr. Daniel FOA, an Independent Non-Executive Director, has been appointed as a member and the chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee.

At the end of the Reporting Period, the Board comprised two Executive Directors and three Independent Non-Executive Directors. There are no relationships among members of the Board.

Executive Directors:

Mr. FENG Wen *(Chairman)* (appointed as Chairman on 24 May 2019)
Mr. LEONG Kim Chuan (appointed as Executive Director on 24 May 2019)
Mr. KAM Yuen (resigned as Chairman and Executive Director on 24 May 2019)
Mr. KONG Kam Yu (resigned as Executive Director on 24 May 2019)

Non-Executive Director:

Ms. ZHENG Ting (resigned as Non-Executive Director on 24 May 2019)

Independent Non-Executive Directors:

Mr. GAO Yue	*(chairman of the Nomination Committee, member of each of the Audit Committee and the Remuneration Committee; and resigned as chairman of the Remuneration Committee on 24 May 2019)*
Mr. POON Tsz Hang (appointed as Independent Non-Executive Director on 24 May 2019)	*(appointed as member and chairman of the Audit Committee, member of each of the Remuneration Committee and the Nomination Committee on 24 May 2019)*
Mr. Daniel FOA	*(appointed as member and chairman of the Remuneration Committee, member of each of the Audit Committee and the Nomination Committee on 24 May 2019)*
Prof. CAO Gang (resigned as Independent Non-Executive Director on 24 May 2019)	*(resigned as member and chairman of the Audit Committee, member of each of the Remuneration Committee and the Nomination Committee on 24 May 2019)*
Prof. GU Qiao (resigned as Independent Non-Executive Director on 24 May 2019)	*(resigned as member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 24 May 2019)*

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

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

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

The Company has received from each of the Independent Non-Executive Directors, namely Mr. GAO Yue, Mr. POON Tsz Hang and Mr. Daniel FOA, a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

The Company considers that all the Independent Non-Executive Directors as mentioned above are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

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

Corporate Governance Functions

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

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

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

During the Reporting Period, the Board has reviewed the Company's corporate governance practices.

Board Diversity Policy

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

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to, gender, age, cultural and educational background, or professional experience in accordance with the specific needs and business model of the Company. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

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

Appointment and Succession Planning of Directors

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

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

In the process of selection of Directors, the proposed candidates' skills, experience, professional knowledge, personal integrity and time commitments are taken into account having regard to the Company's needs and the relevant statutory requirements and regulations.

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

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

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

In accordance with Article 108 of the Articles of Association, Mr. FENG Wen and Mr. Daniel FOA shall retire by rotation and at the forthcoming annual general meeting to be held on 28 September 2020 (the "2020 AGM"), being eligible, offer themselves for re-election.

The Board recommends the re-appointment of the aforesaid Directors, whose biographical details are contained in the circular to be sent to the shareholders before the 2020 AGM.

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

Mr. LEONG Kim Chuan, an Executive Director, entered into a service contract with the Company commencing on 24 May 2019 as an Executive Director and will continue thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Mr. KAM Yuen, a former Executive Director, entered into a service contract with the Company commencing on 1 April 2005 as an Executive Director and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing. The service contract with Mr. KAM Yuen has been terminated on 24 May 2019.

Mr. KONG Kam Yu, a former Executive Director, entered into a service contract with the Company commencing on 25 September 2012 as an Executive Director and will continue thereafter until terminated by either party giving to the other not less than 90 days' notice in writing. The service contract with Mr. KONG Kam Yu has been terminated on 24 May 2019.

Ms. ZHENG Ting, a former Non-Executive Director, entered into a service contract with the Company for a term of three years commencing on 23 August 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing. The service contract with Ms. ZHENG Ting has been terminated on 24 May 2019.

Mr. GAO Yue, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 26 April 2020 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Mr. POON Tsz Hang, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 24 May 2020 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Mr. Daniel FOA, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 11 February 2020 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Prof. CAO Gang, a former Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 24 September 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing. The service contract with Prof. CAO Gang has been terminated on 24 May 2019.

Prof. GU Qiao, a former Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 25 September 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing. The service contract with Prof. GU Qiao has been terminated on 24 May 2019.

Board Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as Directors at general meetings of the Company or appoint as Director(s) to fill casual vacancies. The chairman of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from the Board members, if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as conducting interviews, background checks, presentations and third-party reference checks. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the then current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

The Nomination Committee considers the following criteria as a minimum to be required of any Board members in recommending to the Board, including potential new board members, or the continued service of existing members:

(i) reputation for integrity;

(ii) qualifications, including skills, accomplishments and experience in the relevant industries the Company's business is involved in;

(iii) independence;

(iv) commitment in respect of available time and relevant interest;

(v) potential contributions such candidate may bring to the Company and the Board; and

(vi) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience in accordance with the specific needs of and business models of the Company, skills, knowledge and length of service.

Directors' Training and Professional Development

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct business activities and development of the Company. Every newly appointed Director is provided with an induction on the first occasion of his/her appointment to ensure that he/she has adequate understanding of the businesses and operations of the Group. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in other continuous professional development programmes for directors. All Directors are committed to comply with Code Provision A.6.5 of the CG Code on Directors' training for the Reporting Period.

During the Year, the Company and MinterEllison LLP have prepared reading materials on regulatory updates and arranged seminars on Listing Rules compliance and directors' duties for the Directors to develop and refresh their knowledge and professional skills.

The company secretary of the Company (the "Company Secretary") maintains records of training attended by the Directors. The Directors participated in continuous professional development by reading materials and attending seminars on the following topics to develop and refresh their knowledge and skills during the Reporting Period:

	Directors									
	Executive Directors				Non-Executive Director	Independent Non-Executive Directors				
Themes/Topics	Mr. FENG Wen *(Chairman)* (appointed as chairman on 24 May 2019)	Mr. LEONG Kim Chuan (appointed as an Executive Director on 24 May 2019)	Mr. KAM Yuen (resigned as chairman and Executive Director on 24 May 2019)	Mr. KONG Kam Yu (resigned as Executive Director on 24 May 2019)	Ms. ZHENG Ting (resigned as Non-Executive Director on 24 May 2019)	Mr. GAO Yue	Mr. POON Tsz Hang (appointed as an Independent Non-Executive Director on 24 May 2019)	Mr. Daniel FOA	Prof. CAO Gang (resigned as Independent Non-Executive Director on 24 May 2019)	Prof. GU Qiao (resigned as Independent Non-Executive Director on 24 May 2019)
1. Directors training – Updates on the Compliance with the Listing Rules: • Amendments to the Environmental, Social and Governance Reporting Guide and related Listing Rules • Amendments to Backdoor Listing, Continuing Listing Criteria and other Listing Rules	✓	✓	–	–	–	✓	✓	✓	–	–
2. HKEX's Update No. 127 on the amendments to the Listing Rules in relation to backdoor listing and continuing obligation and other matters	✓	✓	–	–	–	✓	✓	✓	–	–
3. HKEX's Update No. 128 on the amendments to the Listing Rules in relation to ESG matters	✓	✓	–	–	–	✓	✓	✓	–	–
4. Amendments to the Main Board Listing Rules in relation to ESG matters	✓	✓	–	–	–	✓	✓	✓	–	–
5. Amendments to Main Board Listing Rules in relation to backdoor listing and continuous suitability	✓	✓	–	–	–	✓	✓	✓	–	–

Directors' and Officers' Liabilities Insurance

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

Chairman and Chief Executive

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Mr. KAM Yuen ("Mr. Kam") was the Chairman and Chief Executive of the Company responsible for managing the Board and the Group's businesses until 24 May 2019. The Board considered that this structure did not impair the balance of power and authority in view of the composition of the Board, which comprised, inter alia, Independent Non-Executive Directors who would bring strong independent judgement, knowledge and experience to the Board's deliberations. The Board believed that this structure was 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 on the GEM of the Stock Exchange ("GEM"). He has substantial experience in the healthcare industry. The Board and management were of the view that the assumption of these positions by Mr. Kam was beneficial to the business development of the Group.

With effect from 24 May 2019, Mr. Kam has resigned as the Chairman and Chief Executive of the Company; Mr. FENG Wen has been appointed as the Chairman and responsible for managing the Board and Mr. LEONG Kim Chuan has been appointed as the Chief Executive of the Company, who is primarily responsible for the operations and business development of the Group. The Board believes the new structure will continue to conduct strong and consistent leadership for the Group, enabling it to make and implement decisions promptly and efficiently.

Board Meetings

Regular Board meetings are held at least 4 times a year at approximately quarterly intervals. During the Reporting Period, 12 Board meetings were held.

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

Directors	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Chairman and Independent Non-Executive Directors	Annual General Meeting
Executive Directors:						
Mr. FENG Wen *(Chairman)* (appointed as Chairman on 24 May 2019)	12/12	N/A	N/A	N/A	1/1	1/1
Mr. LEONG Kim Chuan (appointed as Executive Director on 24 May 2019) (Note 1)	9/12	2/2	N/A	N/A	N/A	1/1
Mr. KAM Yuen (resigned as Chairman and Executive Director on 24 May 2019)	3/12	N/A	N/A	N/A	N/A	N/A
Mr. KONG Kam Yu (resigned as Executive Director on 24 May 2019)	3/12	N/A	N/A	N/A	N/A	N/A
Non-Executive Director:						
Ms. ZHENG Ting (resigned as Non-Executive Director on 24 May 2019)	3/12	N/A	N/A	N/A	N/A	N/A
Independent Non-Executive Directors:						
Mr. GAO Yue (Note 2)	12/12	2/2	3/3	3/3	1/1	1/1
Mr. POON Tsz Hang (appointed as Independent Non-Executive Director on 24 May 2019) (Note 3)	9/12	2/2	1/3	2/3	1/1	1/1
Mr. Daniel FOA (Note 4)	12/12	2/2	1/3	2/3	1/1	1/1
Prof. CAO Gang (resigned as Independent Non-Executive Director on 24 May 2019)	3/12	N/A	2/3	1/3	N/A	N/A
Prof. GU Qiao (resigned as Independent Non-Executive Director on 24 May 2019)	3/12	N/A	2/3	1/3	N/A	N/A

Notes:

1. Mr. LEONG Kim Chuan attended the meetings of the Audit Committee during the Year in his capacity as qualified accountant of the Company.

2. Mr. GAO Yue ceased to act as the chairman of the Remuneration Committee with effect from 24 May 2019.

3. Mr. POON Tsz Hang has been appointed as a member and the chairman of Audit Committee, member of each of the Remuneration Committee and the Nomination Committee with effect from 24 May 2019 in replacement of Prof. CAO Gang.

4. Mr. Daniel FOA has been appointed as a member and the chairman of the Remuneration Committee, member of each of the Audit Committee and the Nomination Committee with effect from 24 May 2019 in replacement of Mr. GAO Yue and Prof. GU Qiao.

Conduct of Meetings

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

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

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

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

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

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

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

Audit Committee

The Company established the Audit Committee in December 2001 and has formulated its written terms of reference in compliance with Rules 5.28 and 5.29 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") while it was listed on GEM. The Board has reviewed the terms of reference of the Audit Committee after the transfer of listing of the Company's shares from GEM to Main Board (the "Transfer Date") and confirmed that the terms of reference are in compliance with paragraph C.3.3 of Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (effective until 31 March 2012) (the "Former CG Code"). In compliance with the CG Code, the Board has adopted new terms of reference for the Audit Committee which has been posted on the respective websites of the Company and the Stock Exchange.

With effect from 24 May 2019, Prof. CAO Gang (former Independent Non-Executive Director) has ceased to be a member and the chairman of the Audit Committee and Prof. GU Qiao (former Independent Non-Executive Director) has ceased to be a member of the Audit Committee; Mr. POON Tsz Hang, an Independent Non-Executive Director, has been appointed as a member and the chairman of the Audit Committee. Mr. Daniel FOA, an Independent Non-Executive Director, has been appointed as a member of the Audit Committee.

As at the Reporting Period, the Audit Committee comprised three Independent Non-Executive Directors, namely, Mr. POON Tsz Hang (chairman), Mr. GAO Yue and Mr. Daniel FOA.

The Audit Committee's primary duties include the followings:

- to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to assess their independence and performance, and also to approve the remuneration and terms of engagement of the external auditors;

- to review the Company's financial statements and make sure that they are complete, accurate and fair before submission to the Board;

- to consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors;

- to ensure compliance with the applicable accounting standards and regulatory requirements on financial reporting and disclosure; and

- to ensure effectiveness of the financial reporting process, as well as internal control and risk management systems of the Group and to monitor the integrity thereof.

The Audit Committee held 2 meetings during the Year. Through working closely with the management of the Company, the Audit Committee has reviewed the Company's annual and interim results, the accounting principles and practices adopted by the Group; discussed with the Board and management on internal controls, risk management and financial reporting matters, and reviewed the independence and performance of the external auditors. The Company's annual results for the Reporting Period have been reviewed by the Audit Committee. During the Year, the Audit Committee has also reviewed the risk management and internal control systems of the Company.

Executive Committee

The Company established an executive committee (the "Executive Committee") in April 2007 for the purpose of reviewing and approving certain operational matters of the Group in order to enhance the efficiency of the operation and decision-making process of the Board.

With effect from 24 May 2019, Mr. KAM Yuen (former Chairman and Executive Director) and Mr. KONG Kam Yu (former Executive Director) have ceased to be members of the Executive Committee; Mr. FENG Wen and Mr. LEONG Kim Chuan, both Executive Directors, have been appointed as members of the Executive Committee.

As at the Reporting Period, the Executive Committee comprised two Executive Directors, namely, Mr. FENG Wen (Chairman) and Mr. LEONG Kim Chuan.

The primary functions of the Executive Committee include the establishment of bank accounts, the issue of shares upon the exercise of options granted or to be granted under the Company's share option schemes and the execution of repurchases of the Company's own shares. Meetings of the Executive Committee may be convened by any of its members and shall be held as its work demands.

Remuneration Committee

The Company established the Remuneration Committee in June 2005 with written terms of reference in compliance with paragraph B.1.3 of the principles and provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (effective until 31 March 2012). The Board has reviewed the terms of reference of the Remuneration Committee after the Transfer Date and confirmed that the terms of reference are in compliance with paragraph B.1.3 of the Former CG Code. In compliance with the CG Code, the Board has adopted new terms of reference for the Remuneration Committee which has been posted on the respective websites of the Company and the Stock Exchange.

With effect from 24 May 2019, Mr. GAO Yue, an Independent Non-Executive Director, has ceased to be the chairman of the Remuneration Committee and Prof. CAO Gang (former Independent Non-Executive Director) and Prof. GU Qiao (former Independent Non-Executive Director) have ceased to be members of the Remuneration Committee; Mr. Daniel FOA, an Independent Non-Executive Director, has been appointed as a member and the chairman of the Remuneration Committee; and Mr. POON Tsz Hang, an Independent Non-Executive Director, has been appointed as a member of the Remuneration Committee.

As at the Reporting Period, the Remuneration Committee comprised three Independent Non-Executive Directors, namely, Mr. Daniel FOA (chairman), Mr. GAO Yue and Mr. POON Tsz Hang.

The principal responsibilities of the Remuneration Committee include the followings:

- to make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management of the Company;

- to determine the specific remuneration packages of all Executive Directors and senior management of the Company and to make recommendations to the Board on the remuneration of the Non-Executive Directors; and

- to establish a formal and transparent procedure for developing the remuneration policy and structure and to ensure that no Director participates in deciding his/her own remuneration.

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

Meetings of the Remuneration Committee are held at least once a year and additional meetings may be held as required. During the Year, the Remuneration Committee held 3 meetings and has assessed the performance of each of the Executive Directors and certain senior management staff of the Company and made decisions regarding the payment of discretionary bonus and reviewed the remuneration and compensation packages for certain Executive Directors, non-Executive Director and Independent Non-Executive Directors.

The remuneration of the senior management (comprising Executive Directors) of the Company for the Reporting Period by band is set out below:

Remuneration band (HK$)	**Number of individuals**
$1 to $1,000,000	6
$1,000,001 to $2,000,000	1
$2,000,001 to $3,000,000	2
$3,000,001 to $4,000,000	1

Further details of the Directors' remuneration for the Reporting Period are disclosed in note 8 to the audited consolidated financial statements contained in this annual report.

Nomination Committee

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

With effect from 24 May 2019, Prof. CAO Gang (former Independent Non-Executive Director) and Prof. GU Qiao (former Independent Non-Executive Director) have ceased to be members of the Nomination Committee, Mr. POON Tsz Hang and Mr. Daniel FOA, both the Independent Non-Executive Directors, have been appointed as members of the Nomination Committee.

As at the Reporting Period, the Nomination Committee comprised three Independent Non-Executive Directors, namely, Mr. GAO Yue (chairman), Mr. POON Tsz Hang and Mr. Daniel FOA.

The principal responsibilities of the Nomination Committee include the followings:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of Independent Non-Executive Directors;

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executive;

- to review the Board Diversity Policy, as appropriate, and review a range of measurable objectives, including but not limited to gender, age, cultural and educational background, or professional experience in accordance with the specific needs and business model of the Company, that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of a summary of the Board Diversity Policy together with its review results and the rationale for the factors used for determining the degree of diversity of the Board in the Corporate Governance Report annually;

- to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

- to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Articles of Association or imposed by legislation.

Meetings of the Nomination Committee are held at least once a year and additional meetings may be held as required. During the Year, the Nomination Committee held 3 meetings and has made recommendations to the Board regarding the appointment and re-appointment of Directors and reviewed the Board Diversity Policy.

Risk Management and Internal Controls

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

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

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

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

Group Risk Management

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

Principal Risks

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

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

During the Year, the Board appointed an independent professional consultancy firm — BT Corporate Governance Limited to conduct an internal control review. Based on the results of the internal control review which were submitted to the Audit Committee for consideration, the Board and the Audit Committee are satisfied that the Group's systems of risk management and internal controls, including financial, operational, compliance, and risk management functions, are adequate and effective.

Risk Governance

The Group's risk governance structure is based on a "Three Lines of Defence" model, with operational management and internal controls performed by the Board and the management, coupled with risk management monitoring carried out by the finance department and independent internal audit outsourced to and conducted by BT Corporate Governance Limited.

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

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

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

Inside Information

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

Directors' Securities Transactions

The Company has adopted the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Specific enquiries by the Company indicate that all Directors have complied with the required standard of dealings for the Reporting Period.

Company Secretary

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. With effect from 24 May 2019, Mr. KONG Kam Yu has resigned as the Company Secretary and Ms. LAM Cheuk Man has been appointed as the Company Secretary. Ms. LAM Cheuk Man, the Company Secretary throughout the Reporting Period, has confirmed that she has taken no less than 15 hours of relevant professional training during the Reporting Period.

Accountability and Audit

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

KPMG, the external auditors of the Company, acknowledge their responsibilities for the audit of the consolidated financial statements of the Company for the Reporting Period in the Independent Auditor's Report included in this annual report.

For the Reporting Period, the fees paid/payable to the external auditors for audit services were HK$7,350,000.

Policies for communication with Shareholders

The Company has established a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly viewed to ensure its effectiveness.

Shareholders' Rights

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

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

Putting enquiries to the Board

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

Investor Relations

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

The Company attaches great importance to communicating with its shareholders and investors. Information on the Group's activities, business strategies and developments are provided in the Company's annual and interim reports and corporate brochures. During the Year, the Chairman of the Board, other members of the Board and external auditors attended the annual general meeting and answered questions raised by the shareholders on the performance of the Group. Shareholders are encouraged to attend the general meetings of the Company, which offer a valuable forum for dialogues and interactions between the Chairman, the senior management and the shareholders.

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

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

Constitutional Documents

There was no change in the Articles of Association during the Reporting Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. FENG Wen (馮文), aged 52, is the Chairman, Executive Director of the Company and also a director of several subsidiaries of the Company with effect from 24 May 2019. Mr. Feng joined the Group in September 2012. He was re-designated from an Independent Non-Executive Director to an Executive Director from 26 April 2018 and appointed as the Chairman of the Board with effect from 24 May 2019. Mr. Feng graduated from the Medical Department of the Third Military Medical University in 1992 and obtained a master degree in Public Administration from the School of Public Administration, Renmin University of China (中國人民大學) in 2006. Mr. Feng is currently the chairman of the board of Zhong He Hou De Investment Management Co., Ltd.* (中和厚德投資管理有限公司) and an independent director of Beijing ConST Instruments Technology Inc.* (北京康斯特儀表科技股份有限公司). He was previously an independent director of Beijing Boer Communication Technology Co., Ltd.* (北京玻爾通信技術股份有限公司), a chief executive officer of National Investments Fund Limited (stock code: 01227), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the secretary to the board of directors of China Investment Development Co., Ltd.* (中投發展有限責任公司). Mr. Feng had worked for the General Office of the Ministry of Health of the PRC and a number of military hospitals for over 20 years.

Mr. LEONG Kim Chuan (梁金泉), aged 50, is an Executive Director, Chief Executive, Compliance Officer, Qualified Accountant of the Company and also a director of several subsidiaries of the Company with effect from 24 May 2019. Mr. Leong joined the Group in 2006, and is responsible for the Group's finances and corporate projects. He was appointed as Deputy Chief Financial Officer of the Company in 2015 and appointed as an Executive Director, Chief Executive, Compliance Officer and Qualified Accountant of the Company with effect from 24 May 2019. Mr. Leong graduated from Tunku Abdul Rahman University College in 1994. During August 2007 to November 2014, Mr. Leong also served as chief financial controller of the largest Chinese medicine retail chain in the United Kingdom and Republic of Ireland, and a leading consumer products retail chain listed on the NASDAQ. Mr. Leong is a member of the Association of Chartered Certified Accountants. Prior to joining the Group, Mr. Leong worked with a number of leading international accounting firms.

Mr. KAM Yuen (甘源), aged 58, was the Chairman, Executive Director, Chief Executive and Compliance Officer of the Company until 24 May 2019 and the founder of the Group. Mr. Kam was also a director of several subsidiaries of the Company. Previously he was also the chairman of Global Cord Blood Corporation (formerly known as China Cord Blood Corporation) ("GCBC") and the non-executive director of Life Corporation Limited, which capital was reduced by demerger on 1 July 2019 ("LFC"). He was responsible for the Group's overall strategic planning. Mr. Kam graduated from the Beijing Second Foreign Languages Institute, the People's Republic of China (the "PRC") (北京第二外國語學院) in 1985 and has over 20 years of management experience in international business. Mr. Kam is the sole director of Bio Garden Inc., and a director of Magnum Opus 3 International Holdings Limited, both companies have an interest in the share capital of the Company as disclosed under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. KONG Kam Yu (江金裕), aged 51, was an Executive Director, Qualified Accountant and Company Secretary of the Company until 24 May 2019. Mr. Kong was also a director of several subsidiaries of the Company. He was the non-executive chairman of LFC. He joined the Group in 2001, and was responsible for the Group's finances, corporate projects and company secretarial matters. Mr. Kong is a member of The Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Prior to joining the Group, Mr. Kong worked with a leading international accounting firm.

* *The English name is for identification purpose only.*

Non-Executive Director

Ms. ZHENG Ting (鄭汀), aged 48, was a Non-Executive Director of the Company and a director of several subsidiaries of the Company until 24 May 2019. Ms. Zheng joined the Group in September 2001. Ms. Zheng is currently an executive director and the chief executive officer of GCBC and overlooks GCBC operation and development strategy. Ms. Zheng graduated from Renmin University of China (中國人民大學) in 1996 where she subsequently received an EMBA degree.

Independent Non-Executive Directors

Mr. GAO Yue (高悦), aged 47, is an Independent Non-Executive Director of the Company and is a member of each of the Audit Committee and the Remuneration Committee and a member and the chairman of the Nomination Committee. Mr. Gao graduated from the Law School of Renmin University of China (中國人民大學) in 1996 and was admitted to the Chinese bar in 1998. Thereafter, Mr. Gao worked as an attorney-at-law and a partner in Beijing Xinli Law Firm and Beijing Fu Sheng Law Firm respectively. From August 2004 to April 2012, he practised law as a partner in King & Wood PRC Lawyers. Mr. Gao joined the Group in November 2014. From May 2012 to July 2016, Mr. Gao worked as a partner of Commerce and Finance Law Offices. From July 2016 onwards, he serves as a partner of Anchorite & Sage Law Office (北京安生律師事務所) (formerly known as Beijing L&L Law Firm).

Mr. POON Tsz Hang (潘子恒), aged 42, is an Independent Non-Executive Director of the Company, a member and the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 24 May 2019. Mr. Poon graduated from The Hong Kong Polytechnic University with a bachelor's degree in Accountancy in 1999. During November 2016 to September 2017, Mr. Poon served as a joint company secretary of AUX International Holdings Limited (stock code: 2080), a company listed on the Main Board of the Stock Exchange. Start from 1 August 2019, Mr. Poon serves as a company secretary of MS Concept Limited ("MS Concept") (stock code: 8447), a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange, an authorised representative of MS Concept under 5.24 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the authorised representative of MS Concept under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Mr. Poon is currently also a director of CT Consultants Limited. Mr. Poon is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Daniel FOA, aged 43, is an Independent Non-Executive Director and is a member and the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Foa joined the Group in February 2015. He graduated in Economics from University of Portsmouth in 1997, he attained a Postgraduate Certificate (Distinction) in Sustainability Development from School of Oriental and African Studies and Honorary Fellowship from University College London in 2018. Mr. Foa is the co-founder of Fairklima Capital and has over 20 years of experience in the Greater China market with expertise in the fields of technology, sustainability and business consulting. Before founding Fairklima Capital, Mr. Foa held managerial positions in major multinational firms such as Nortel Networks Inc. and International Business Machines Corporation (IBM). He is also the co-founder of 51Give, an online donations platform.

Prof. CAO Gang (曹岡), aged 75, was an Independent Non-Executive Director of the Company, a member and the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee until 24 May 2019. Prof. Cao joined the Group in September 2004 and is a professor of Accountancy. He qualified as one of the first group of registered accountants in the PRC in 1983 and is currently a senior member of the Association of the Registered Accountants of the PRC.

Prof. GU Qiao (顧樵), aged 73, was an Independent Non-Executive Director of the Company, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee until 24 May 2019. Prof. Gu joined the Group in September 2001 and is a scientist in quantum-optics, biophysics and biological photonics and an Associate Professor of the Northwest University, the PRC (中國西北大學). Prof. Gu is also a member of the International Institute of Biophysics, Germany. Prof. Gu received his doctoral degree from the Northwest University, the PRC (中國西北大學), in 1989.

SENIOR MANAGEMENT

Mr. HUANG Fan (黃帆), aged 46, is the chief executive officer of the medical devices operation. He joined the Group in 2004 and has been responsible for the research and development, production, sales and management of the business. Mr. Huang has been engaged in the securities industry for many years and has extensive experience in business management. Prior to joining the Group, he has participated in the preliminary preparatory works of state-owned comprehensive securities company. Mr. Huang graduated from the Beijing Institute of Technology (北京理工大學管理學院), majoring in management.

Mr. GAO Guang Pu (高光譜), aged 57, is the Deputy General Manager of the medical devices operation. He joined the Group in October 1997, and is responsible for the production, operations and overall management of the medical devices operation. Mr. Gao is also responsible for various aspects of the production technology, including product standards, production procedures and technological improvements of the medical devices operation. Mr. Gao graduated from the English Language Department of Beijing Second Foreign Language Institute (北京第二外國語學院).

Mr. SHAO Bao Ping (邵寶平), aged 54, is the chief executive officer of the Chinese herbal medicines operation, who is in charge of the Chinese herbal medicines operation's daily operations. He joined the Group in August 2005. Mr. Shao obtained his master's degree from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所) and has extensive work experience in the fields of pharmacology and herbal medicine. Mr. Shao has held key position in well-known enterprises in the PRC and has extensive corporate management experience.

Mr. DING Wei Zhong (丁偉中), aged 71, is the honorary director of GM-Medicare Management (China) Company Limited. He joined the Group in April 2010, and has specialised in the medical and medical insurance management industry since 1998. Prior to relocating to the United States, Mr. Ding has held senior positions at the Aviation Industry Office of the Shanghai Municipal Government and China Airlines Group, in addition to serving as the chief operating officer of the United Nations Institute for Training and Research (UNITAR) — CIFAL Network. Mr. Ding has a Bachelor's degree from Zhengzhou Institute of Aeronautical College (鄭州航空學院) and a Bachelor's degree in Economics from Fudan University, Shanghai (上海復旦大學).

Mr. JING Jian Zhong (經建中), aged 66, is the vice president of the Group, the chief executive officer of Golden Meditech (Shanghai) Company Limited, Shanghai GM Diagnosis Co. Ltd.* (上海金衛醫學檢驗所有限公司) and GM LifeBank Co. Ltd.* (上海金衛細胞組織儲存服務有限公司) and the Chief Representative of the Group's Office in Shanghai and is responsible for the overall operation of the Group. He joined the Group in May 2008. He graduated from the Shanghai University of Chinese Medicines and has 20 years of investment and business development experiences in healthcare industry in addition to 20 years of clinical practices and teaching.

Mr. LU Pei (陸培), aged 54, is the senior vice president of the Group and the chief executive officer of GM-Medicare Management (China) Company Limited. He joined the Group in January 2018. Mr. Lu graduated from Shanghai Medical University, and has over 15 years of surgical clinical experience in the Triple A hospitals. He obtained his master's degree in biomedical sciences from Free University of Brussels (VUB) in Belgium and the master's degree in international health management from Tanaka Business School of Imperial College London. Mr. Lu has extensive medical industry management experience, he served as vice president of Evergrande Health Industry Group and general manager of Medical Diagnostic Centre of United Kingdom Intertek Group in China Region.

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REPORT OF THE DIRECTORS

The directors (the "Directors") of Golden Meditech Holdings Limited (the "Company" and together with its subsidiaries, collectively referred to as the "Group") submitted herewith the Directors' report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the "Reporting Period" or the "Year").

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in note 14 to the audited consolidated financial statements.

An analysis of the Group's revenue, (loss)/profit, assets and liabilities by operating segments is set out in note 4 to the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	20%	
Five largest customers in aggregate	40%	
The largest supplier		5%
Five largest suppliers in aggregate		12%

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

FINANCIAL STATEMENTS

The results and cash flow of the Group for the Reporting Period and the state of the Group's financial position as at that date are set out in the audited consolidated financial statements on pages 99 to 105 of this annual report.

BUSINESS REVIEW

(a) Business Performance and Future Developments

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

(b) Principal Risks and Uncertainties

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

1. Industry policies and regulations

Medical device and healthcare service industries are governed by various local, regional and national regulatory regimes, including permits, licencing and certification requirements, operating and safety standards, as well as environmental protection regulations. The Group is required to obtain and maintain different licences, approvals and permits, include, without limitation, medical device manufacturing permit, and practicing licence for a medical institution. If we cannot renew such licences and certificates in time, the Group's ability to conduct its business could be materially impaired. The Group monitors closely the changes in policies and regulatory developments and, where necessary, adjust its business strategies as well as obtain expert legal advice to ensure compliance with the regulations.

2. Brand and Reputation

The Group's image may be adversely affected by negative publicity as physicians or other medical staff working in the Group may from time to time be subject to complaints, allegations or legal actions regarding the medical disputes. Failure to maintain and enhance its reputation may harm the business, results of operations and financial condition of the Group. The Group has developed a set of standard operation procedures at each of the medical institutions so as to minimise the chance of medical negligence. Additionally, the Group also has the customer service department to accept, analyse, follow up and resolve customer complaints on timely basis.

3. Reliance on Talents

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

BUSINESS REVIEW (continued)

(b) Principal Risks and Uncertainties (continued)

4. Regional economies

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

5. Cooperation relationships with third parties

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

6. Market competition

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

7. Preferential tax treatment

Beijing Jingjing Medical Equipment Co., Ltd. (北京京精醫療設備有限公司) ("Jingjing"), a subsidiary of the Company, is a High and New Technology Enterprise ("HNTE") enjoying a preferential tax rate of 15% which is lower than the standard tax rate of 25% for the calendar years from 2017 to 2019. Jingjing is in the process of renewing its HNTE certificate which, upon approval, will enable it to continue to enjoy the preferential income tax rate of 15% for the calendar years from 2020 to 2022. The Group actively coordinates with various departments in relation to the renewal of HNTE qualification and the management is confident that the Group will continue to enjoy the relevant preferential tax treatment.

BUSINESS REVIEW (continued)

(c) Key relationship with employees, customers and suppliers

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

(d) Environmental protection policy and performance

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

(e) Compliance with laws and regulations

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

RESERVES AND DIVIDENDS

Loss attributable to equity shareholders of the Company of HK$261,364,000 (2019: loss of HK$675,444,000) has been transferred to reserves. Other movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 103 of this annual report.

As at 31 March 2020, the Company's reserves available for distribution amounted to HK$2,511,154,000 (2019: HK$2,499,288,000).

FINAL DIVIDENDS

The board of Directors (the "Board") did not recommend the payment of a final dividend in respect of the year ended 31 March 2020 (2019: HK$nil per share). The Board will take into account the Group's future capital needs when considering possible dividend payment in the future.

DIVIDEND POLICY

The declaration, payment, and amount of final dividends will be subject to the Board's discretion and the approval of the shareholders of the Company. The Company in general meeting may declare dividend in any currency but no dividend shall exceed the amount recommended by the Board and permitted under the relevant laws and the constitutional documents of the Company. The Board may also declare and pay interim dividends and special dividends from time to time as appear to the Board to be justified by the financial conditions and the net realisable value of the assets of the Company.

The aggregate amount of dividends (including interim dividends and special dividends) for each fiscal year shall be no more than (20) percent of the Company's net profit after tax in the current fiscal year and after any reserve has been set aside in accordance with Article 161 (the "Maximum Dividend") of the Articles of Association of the Company (the "Articles of Association"), unless the Board has determined that it would be in the best interests of the Company to declare a dividend in excess of the Maximum Dividend.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK$nil (2019: HK$nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the Year are set out in note 12 to the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 29(b) to the audited consolidated financial statements.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors of the Company who held office during the Year were:

Executive Directors

Mr. FENG Wen *(Chairman)* (appointed as Chairman on 24 May 2019)
Mr. LEONG Kim Chuan (appointed as Executive Director on 24 May 2019)
Mr. KAM Yuen (resigned as Chairman and Executive Director on 24 May 2019)
Mr. KONG Kam Yu (resigned as Executive Director on 24 May 2019)

Non-Executive Director

Ms. ZHENG Ting (resigned as Non-Executive Director on 24 May 2019)

Independent Non-Executive Directors

Mr. GAO Yue
Mr. POON Tsz Hang (appointed as Independent Non-Executive Director on 24 May 2019)
Mr. Daniel FOA
Prof. CAO Gang (resigned as Independent Non-Executive Director on 24 May 2019)
Prof. GU Qiao (resigned as Independent Non-Executive Director on 24 May 2019)

Save for the changes to the Board with effect from 24 May 2019 as above, the Board comprised two Executive Directors, namely Mr. FENG Wen and Mr. LEONG Kim Chuan; and three Independent Non-Executive Directors, namely Mr. GAO Yue, Mr. POON Tsz Hang and Mr. Daniel FOA up to the date of this annual report.

In accordance with Article 108 of the Articles of Association, Mr. FENG Wen and Mr. Daniel FOA shall retire by rotation and at the forthcoming annual general meeting to be held on 28 September 2020 (the "2020 AGM"), being eligible, offer themselves for re-election.

The biographical details of the Directors and senior management are set out on pages 39 to 42 of this annual report. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 8 and 9 to the audited consolidated financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

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

Mr. LEONG Kim Chuan, an Executive Director, entered into a service contract with the Company commencing on 24 May 2019 as an Executive Director and will continue thereafter until terminated by either party giving to the other not less than 90 days' notice in writing.

Mr. KAM Yuen, a former Executive Director, entered into a service contract with the Company commencing on 1 April 2005 as an Executive Director and continuing thereafter until terminated by either party giving to the other not less than 90 days' notice in writing. The service contract with Mr. KAM Yuen has been terminated on 24 May 2019.

Mr. KONG Kam Yu, a former Executive Director, entered into a service contract with the Company commencing on 25 September 2012 as an Executive Director and will continue thereafter until terminated by either party giving to the other not less than 90 days' notice in writing. The service contract with Mr. KONG Kam Yu has been terminated on 24 May 2019.

Non-Executive Director

Ms. ZHENG Ting, a former Non-Executive Director, entered into a service contract with the Company for a term of three years commencing on 23 August 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing. The service contract with Ms. ZHENG Ting has been terminated on 24 May 2019.

Independent Non-Executive Directors

Mr. GAO Yue, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 26 April 2020 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Mr. POON Tsz Hang, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 24 May 2020 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

Mr. Daniel FOA, an Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 11 February 2020 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing.

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DIRECTORS' SERVICE CONTRACTS (continued)

Independent Non-Executive Directors (continued)

Prof. CAO Gang, a former Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 24 September 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing. The service contract with Prof. CAO Gang has been terminated on 24 May 2019.

Prof. GU Qiao, a former Independent Non-Executive Director, entered into a service contract with the Company for a term of one year commencing on 25 September 2018 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than 30 days' notice in writing. The service contract with Prof. GU Qiao has been terminated on 24 May 2019.

None of the Directors being proposed for re-election at the 2020 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31 March 2020, 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 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").

SHARE OPTION SCHEMES

Share option schemes of the Company

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

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

1. The purpose of the 2017 Share Option Scheme is to recognise and acknowledge the contributions of the eligible participants to the Group by granting options to them as incentives or rewards.

2. The eligible participants of the 2017 Share Option Scheme are:

    (a) any employee (whether full-time or part-time) or director (including executive director, non-executive director and independent non-executive director) of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity");

    (b) any advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services, business or joint-venture partner of any member of the Group or any Invested Entity whom the Board in its sole discretion considers eligible for the 2017 Share Option Scheme on the basis of his or her contribution to the Group or the Invested Entity (as the case may be); and

    (c) any person whom the Board in its sole discretion considers has contributed or will contribute to the Group or to the Invested Entity (as the case may be).

3. The overall limit on the number of shares of the Company (the "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.

SHARE OPTION SCHEMES (continued)

Share option schemes of the Company (continued)

4. The total number of Shares issued and which fall to be issued upon exercise of the options granted under the 2017 Share Option Scheme and other schemes (including both exercised and outstanding options) to each eligible participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of the Shares in issue as at the date of grant of the options.

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

5. The exercise period of any option granted under the 2017 Share Option Scheme must not be more than 10 years from the date of grant.

6. HK$1.00 is payable by an eligible participant on acceptance of an offer of the grant of an option (the "Offer").

7. The exercise price shall be determined by the Board and shall be at least the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; and (iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer.

8. Subject to earlier termination by the Company in a general meeting, the 2017 Share Option Scheme shall be valid and effective for a period commencing from the Adoption Date and expiring at 5:00 p.m. on the business day preceding the tenth anniversary of such date.

9. The Board may at its discretion, when making an Offer, impose any conditions, restrictions or limitations in relation thereto as it may think fit, including but not limited to the achievement of any performance target and/or any minimum period for which an option must be held before it can be exercised. Subject to the aforesaid, an eligible participant to whom any option is granted is not required to achieve any performance target before an option can be exercised.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 March 2020, the interests and short positions of the shareholders (not being Directors or chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

(a) Long positions of substantial shareholders

Name	Capacity and nature of interests	Number of issued Shares/ underlying Shares	Approximate percentage of the Company's issued share capital
Bio Garden Inc. ("Bio Garden")(1)(5)	Beneficial owner	1,148,237,526(4)	39.36%
Mr. KAM Yuen ("Mr. Kam")(2)	Founder of trusts	1,148,237,526(4)	39.36%
	Interest of controlled corporation	968,774,034	33.21%
Golden Fountain Investments Limited ("Golden Fountain")(3)	Interest of controlled corporation	1,148,237,526(4)	39.36%
Alpadis Trust (HK) Limited ("Alpadis Trust")(3)	Trustee	1,148,237,526(4)	39.36%
Alpadis Group Holding SA ("Alpadis Group")(3)	Interest of controlled corporation	1,148,237,526(4)	39.36%
Mr. ESSEIVA Alain(3)	Interest of controlled corporation	1,148,237,526(4)	39.36%

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

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

Name of other persons who held more than 5% interest	Capacity and nature of interests	Number of issued Shares/ underlying Shares	Approximate percentage of the Company's issued share capital
Qin Wall Investment Holdings Limited ("Qin Wall")(5)(6)	Securities interest in shares	1,078,774,034(5)	36.98%
Huarong Real Estate Co. Ltd. ("Huarong Real Estate")(5)(6)	Securities interest in shares	1,078,774,034(5)	36.98%
China Huarong International Holdings Limited ("China Huarong International")(5)(6)	Securities interest in shares	1,078,774,034(5)	36.98%
China Huarong Asset Management Co., Ltd. ("China Huarong Asset")(5)(6)	Securities interest in shares	1,078,774,034(5)	36.98%
Magnum Opus 3 International Holdings Limited ("Magnum 3")(5)(7)	Beneficial owner	968,774,034	33.21%
Ms. LIU Yang(8)	Interest of controlled corporation	317,166,529	10.87%
Atlantis Capital Group Holdings Limited(8) (formerly known as "Atlantis Capital Holdings Limited")	Interest of controlled corporation	317,166,529	10.87%
Atlantis Investment Management Limited ("Atlantis")(8)	Beneficial owner	317,166,529	10.87%

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

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

Notes:

(1) Bio Garden is an investment holding company incorporated in the British Virgin Islands ("BVI"). It was wholly-owned by certain discretionary trusts of which Mr. Kam, was the founder. Mr. Kam is also the sole director of Bio Garden.

(2) Mr. Kam was deemed under the SFO to have an interest in (i) 1,148,237,526 Shares which Bio Garden was interested in (the "Bio Garden Shares") by virtue of his being the founder of certain discretionary trusts which owned the entire issued share capital of Bio Garden and(ii) 968,774,034 Shares which Magnum 3 was interested in by virtue of his owning 100% voting ordinary shares of Magnum 3.

(3) 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. Mr. ESSEIVA Alain has 44.90% interest in Alpadis Group. Accordingly, each of Golden Fountain, Alpadis Trust, Alpadis Group and Mr. ESSEIVA Alain were deemed, under the SFO, to have an interest in the Bio Garden Shares.

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

(5) 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.

(6) 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.

(7) 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.

(8) Atlantis is a limited liability company incorporated in Hong Kong, which was wholly-owned by Atlantis Capital Group Holdings Limited. Ms. LIU Yang has 100% indirect interest in Atlantis Capital Group Holdings Limited.

The individual substantial shareholder and the corporate substantial shareholder notices filed by Liu Yang and Atlantis Capital Group Holdings Limited respectively indicated that 320,342,529 shares was owned by Atlantis, representing approximately 10.98% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2020, the Directors had not been notified by any persons (other than the Directors or chief executives of the Company), who had an interest or short position in the Shares or underlying Shares which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08(1)(a) of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the date of this report, the public float of the Company is approximately 16.55%.

The Company is considering various options to restore its public float. As at the date of this report, no concrete proposals for the restoration of public float or timetable have been determined. The Company will make further announcement when the proposal to restore its public float has been finalised.

For details, please refer to the Company's announcements dated 29 June 2018 and 15 November 2018.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 33 to the audited consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

INTEREST-BEARING AND OTHER BORROWINGS

Particulars of interest-bearing and other borrowings of the Group as at 31 March 2020 are set out in notes 26 and 27 to the audited consolidated financial statements.

DIRECTORS' RETIREMENT BENEFITS SCHEME

Details of the directors' retirement benefits scheme adopted by the Company are set out in note 8 to the audited consolidated financial statements.

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in note 32 to the audited consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 201 and 202 of this annual report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 20 to 38 of this annual report.

COMPETITION AND CONFLICT OF INTERESTS

During the Year and up to the date of this report, none of the Directors has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

PERMITTED INDEMNITY PROVISION

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

CONNECTED TRANSACTIONS

During the Reporting Period, no connected transaction has been occurred.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Reporting Period are set out in note 33 to the audited consolidated financial statements. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions under the Listing Rules. Other related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

There is no change in the information of the Directors and chief executives of the Company since the publication of the interim report of the Company for the six months ended 30 September 2019 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, namely Mr. GAO Yue, Mr. POON Tsz Hang and Mr. Daniel FOA, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

The Company considers that all the Independent Non-Executive Directors as mentioned above are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

OTHER TRANSACTION

Subscription of convertible note issued by Life Corporation Services (S) Pte. Ltd. ("LCS")

On 6 August 2019, GM Investment Company Limited ("GMI"), a wholly-owned subsidiary of the Company, as noteholder, subscribed for the convertible note issued by LCS, a 50.23% owned associate of the Group, as issuer (the "LCS Convertible Note"), in the principal amount of SGD5,800,000 at the interest rate of 11% per annum compounded annually for a term of 3 years. The noteholder shall be entitled to redeem the LCS Convertible Note in cash at the end of the 3 year term (or earlier upon provision of one month notice to the issuer or in the event of the occurrence of an event of default), or exercise the conversion rights attached to the LCS Convertible Note to convert all or part of the LCS Convertible Note outstanding and interest accrued into fully-paid ordinary shares of LCS at the conversion price from the date of issuance of the LCS Convertible Note to the redemption date.

LCS was developing an automated columbarium in Singapore at that time, i.e. the GoldHill Memorial Centre. The provision of the funds to LCS by the Group is to finance the on-going construction of the GoldHill Memorial Centre by LCS and repayment of the overdrawn amount of SGD800,000 due under the loan facility in the principal amount of SGD5,000,000 granted by GMI to LCS on 6 November 2017.

Further details of LCS Convertible Note are set out in the Company's announcement dated 6 August 2019.

PRIVATISATION

Proposal for the privatisation of the Company by Meditech Global Group Limited, proposed withdrawal of listing and special deal relating to the Undertaking

Reference is made to the joint announcement issued by the Company and Meditech Global Group Limited (the "Offeror") on 17 June 2020 (the "Announcement"). Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law, involving the cancellation of the Disinterested Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the cancellation price of HK$0.88 in cash for each Disinterested Scheme Share and the withdrawal of the listing of the Shares on the Stock Exchange, subject to the fulfillment or waiver (as applicable) of certain conditions, further details of which are set out in the Announcement.

If the Proposal is approved, under the Scheme, the share capital of the Company will, on the effective date of the Scheme, be reduced by cancelling and extinguishing the Disinterested Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the allotment and issue at par to the Offeror of such aggregate number of new Shares as is equal to the number of Disinterested Scheme Shares cancelled. The reserve created in the Company's books of account as a result of such capital reduction will be applied in paying up in full at par the new Shares so allotted and issued, credited as fully paid, to the Offeror.

PRIVATISATION (Continued)

Proposal for the privatisation of the Company by Meditech Global Group Limited, proposed withdrawal of listing and special deal relating to the Undertaking (Continued)

As disclosed in the Announcement, Atlantis holds the Atlantis Shares. On 17 June 2020, the Offeror and the Company received the Undertaking from Atlantis, pursuant to which Atlantis has irrevocably and unconditionally undertaken that:

1. from (and including) the date of the Undertaking to (and including) the earlier of (i) the date on which the Proposal and the Scheme become effective; or (ii) the lapse or withdrawal of the Proposal and the Scheme (as the case may be):

   (a) Atlantis will not participate in the Proposal and the Scheme in respect of any of the Atlantis Shares, and none of the Atlantis Shares shall constitute the Disinterested Scheme Shares, and therefore the Atlantis Shares will not be cancelled if the Scheme becomes effective, and Atlantis will not receive any consideration under the Scheme; and

   (b) Atlantis will not (i) sell or otherwise dispose of any of the Atlantis Shares; or (ii) exercise any warrants, options or any other rights in whatever form to acquire any additional interest in any of the Shares; and

2. immediately after the Scheme becomes effective, the Atlantis Shares registered under its name and/or in the name of its nominee(s) will remain so registered.

As a result of the Undertaking, Atlantis is a party acting in concert with the Offeror as Atlantis will remain as a Shareholder after the completion of the Proposal and the Scheme. The Undertaking constitutes a special deal and is subject to the fulfillment of certain conditions, further details of which are set out in the Announcement.

For further details and progress of the Proposal, the Scheme and special deal relating to the Undertaking, please refer to the Announcement, and the Scheme Document containing, among others, further details of (i) the Proposal and the Scheme, the Subscription Agreement and the Undertaking; (ii) the expected timetable; (iii) an explanatory memorandum as required under the Companies Law and the rules of the Grand Court; (iv) information regarding the Company; (v) recommendations from the Independent Board Committee with respect to the Proposal, the Scheme and the Undertaking; (vi) the letter of advice from the Independent Financial Adviser to the Independent Board Committee; and (vii) a notice of the Court Meeting and a notice of the General Meeting, together with the respective forms of proxy in relation thereto, which will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Listing Rules, the Companies Law, the Grand Court and other applicable laws and regulations.

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

AUDITORS

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

By order of the board of Directors

FENG Wen
Chairman

Hong Kong, 30 June 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING STANDARD AND SCOPE

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

Reporting Principles	Definition	Response
Materiality	The reporting focuses on the ESG issues which have material effects on the Group and all stakeholders.	The Group comprehends the ESG issues concerned by different stakeholders through communication with some internal and external stakeholders by way of online survey. The Group identified 10 materiality issues, based on the materiality assessment results, as the key highlights of this report. Please refer to the section headed "Communication with Stakeholders" for details on the assessment process.
Quantitative	The key performance data must be quantified and subject to valid comparisons under appropriate conditions.	The Group's social key performance indicators ("KPI") were derived from statistics of the relevant departments. In addition, to ensure the accuracy of the environmental KPI, the Group has engaged Carbon Care Asia, a professional consulting firm, to conduct carbon evaluation in accordance with the Guidelines[1] released by the National Development and Reform Commission of the People's Republic of China and with reference to the international standards, such as ISO14064–1 and the Corporate Accounting and Reporting Standards of the Greenhouse Gas Protocol.
Balance	An issuer shall give an unbiased and true description of its ESG performance.	The Group has elaborated its ESG achievements and challenges encountered in an accurate, unbiased and fair manner.

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

Reporting Principles	Definition	Response
Consistency	The ESG Report should be prepared in a consistent manner, including compatible data quantification methodology, to allow for comparisons of ESG-related KPI to reflect corporate performance.	The Group will strive to adopt a consistent method when preparing ESG report and quantifying future ESG data to allow for comparison.

The ESG Report allows every stakeholder to understand the progress and direction of sustainable development of the Group from 1 April 2019 to 31 March 2020 ("FY2019/2020" or the "Year") through reporting the policies, measures and performances in the ESG aspects. Apart from complying with the "Comply or Explain" provisions set out in the Guide, the Group also chooses to report on certain "Recommended Disclosures" in the Guide, in an effort to present a more comprehensive ESG Report.

Consistent with last year, the ESG Report focuses on the hospital operation in Shanghai (referred to as the "Hospital") and manufacturing plant in Beijing (the "Plant") of Golden Meditech (collectively referred to as "Each Operation Site"). At present, the ESG Report does not cover all the operations of the Group, but the Group intends to include more into the report in due course based on its business development.

The Group has established an internal control and formal review procedures to ensure that all information presented in the ESG Report is accurate and reliable. The board of directors (the "Board") of the Company confirmed and approved the ESG Report in June 2020. A complete content index of the Guide is appended at the back of this EGS report for easier reference of readers.

Any opinions or recommendations from the stakeholders on the Group's ESG performance are greatly valued by the Group. Please feel free to contact us via the following means:

Email: ir@goldenmeditech.com

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

ESG

The Group places great emphasis on the ESG management and is committed to improving the Group's ESG performance through effective governance measures. The Board is responsible for monitoring and evaluating the Group's ESG impact, as well as reviewing and establishing ESG-related policies and measures. Besides, an ESG taskforce has been set up to coordinate ESG-related work and report to the Board on Group's ESG issues on a regular basis, including but not limited to the latest ESG-related trends, risks and opportunities. Meanwhile, the Group will constantly review the terms of reference of the ESG taskforce and clarify the authority, responsibility and resources in respect of ESG-related matters in order to further improve its work on environment, social and governance.

Risk Management and Internal Controls

The Group pays close attention to the industry and social development trend to promptly identify, evaluate and manage business-related risks in order to reduce their impact on its businesses. To this end, the Company has established the enterprise risk management framework and the Board is responsible for monitoring the risk management and internal control systems and examining their effectiveness. The Group conducts a potential risk impact assessment at least once a year and has identified certain ESG risks through risk management and internal control systems during the Year.

Principal ESG Risks	Impacts	Control Measures
Health and safety	Failure to provide a healthy and safe working environment for its employees may result in higher staff attrition, inferior service quality and disrupted operations of the Plant and the Hospital.	The Group formulates a series of standardised health and safety policies, regularly organises trainings on occupational disease prevention knowledge and arranges emergency rescue drills.

We witness changes in the environmental and social risks as a result of the social development and technology advancement. Looking forward, the Group will gradually integrate ESG factors into its risk management system so as to identify the Group's risks in such areas and draw up countermeasures.

COMMUNICATION WITH STAKEHOLDERS

The Group emphasises on communicating with stakeholders[2]. During the Year, the Group has organised various activities to obtain opinions and advice on its ESG-related performance from the stakeholders. Communication modes with the stakeholders during the Year were as follows:

Internal Stakeholders
Board, management and employees
External Stakeholders
Shareholders, investors, banks, cooperative partners and regulatory authorities

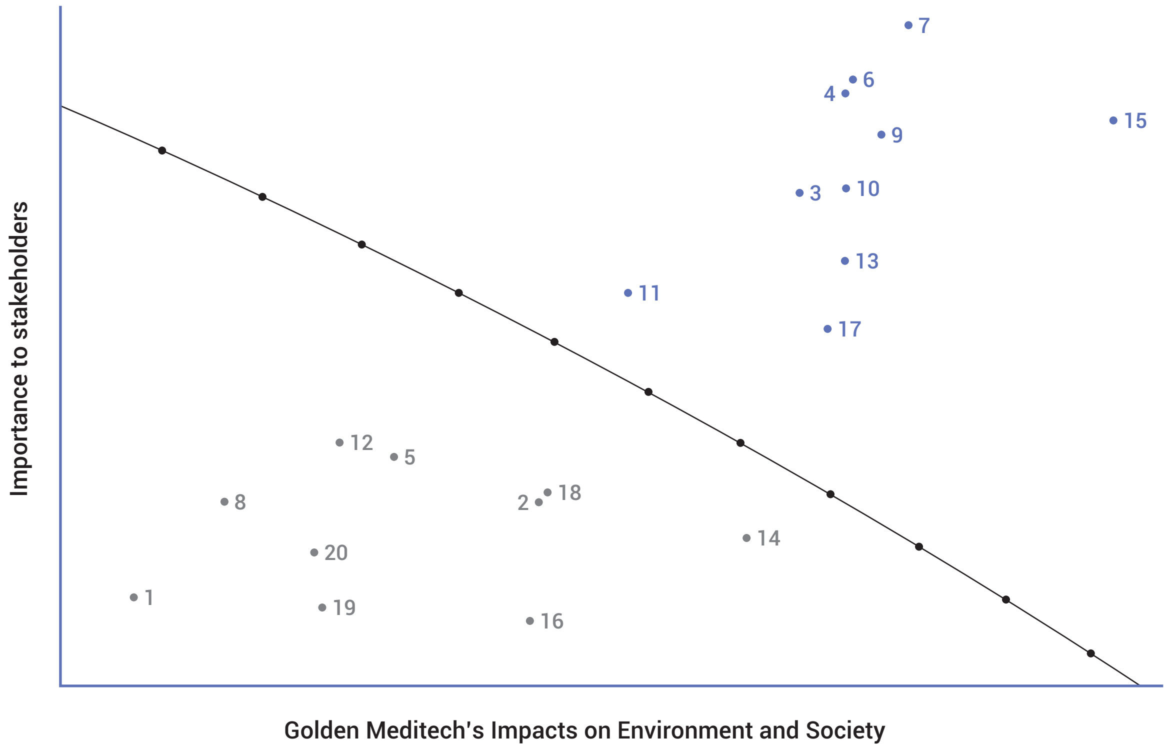
Major Sustainable Development Issues during the Year

Carbon Care Asia, an independent consulting firm, has been engaged by the Group to carry out communication with the stakeholders and materiality assessment, including interviews with the management and online survey, and to assist in formulating future sustainability strategies and administrative policies. Through interviews with the management, the Group has selected five strategic sustainability issues, namely emissions, use of resources, health and safety, supply chain management and product responsibility. The management of the Group believes that these five issues are essential to the Group's sustainable development performance, and is determined to allocating more resources to improve its ESG performance.

2 "Stakeholders", also refers to as "interested parties" or "equity holders", means any group or individual who has significant impact on, or under significant impact of, the business of the enterprise, including the board of directors, management, administrative staff and general staff as well as external shareholders, business partners, customers, government and regulatory authorities, banks, investors and community organisations.

In order to obtain further opinions and advice on our ESG-related performance from the stakeholders, we invited internal and external stakeholders to rate on a variety of issues in the areas of environmental protection, employment and labour practices, operation practices and community investment by way of online survey during the Year. Based on the analysis of the survey outcomes, the Group identified 10 materiality issues out of 20 ESG-related issues (see the upper right of the oblique line in the figure below).

Golden Meditech's Materiality Matrix



10 materiality issues are marked out of 20 issues that are set out as follows (in order of significance).

No.	Issues	Materiality Issues
15	Protection of privacy	✔
7	Establishment of a comprehensive employment system	✔
6	Impacts on environment and natural resources caused by operation management	✔
4	Waste management	✔
9	Provision of a healthy and safe working environment for employees to prevent occupational diseases and work-related injury	✔
10	Provision of trainings for employees to improve their professional knowledge and skills	✔
3	Water conservation/more efficient use of water	✔
13	Periodic inspection on product and service quality	✔
17	Eradication of corruption	✔
11	Prohibition of child or forced labour	✔
14	Periodic inspection on the quality of products and services provided	
18	Establishment of anti-corruption whistleblowing channels and procedures with an undertaking to keep confidential of the informants	
2	Management of waste water discharge	
5	Energy conservation/more efficient use of energy	
12	Evaluation and management of the environmental and social risks of supply chain	
16	Implementation of advertising management system to regulate advertisement placement	
8	Elimination of workplace discrimination	
20	Investment of resources to promote community development	
19	Understanding the needs of communities and impacts on the community caused by operation management	
1	Management of greenhouse gas and waste gas emission	

Legend

Environment Protection | Employment and Labour Practices | Operation Practices | Community Investment

For materiality issues identified by the stakeholders, the Group makes great efforts to manage these issues through standardised system and sound policies, which are detailed in the chapters below. The Group will also continue to pay attention to those issues with lower ratings. In the future, the Group will continue to seek opinions and advice from the stakeholders through diverse, transparent, honest and accurate communication channels, as this will add value to the development of the Group's ESG strategies.

ENVIRONMENTAL PROTECTION

With increasingly stringent requirements by the government and the public on corporate performance in environmental protection, the Group realises that sustainable development of the environment has become one of the important tasks for corporates in fulfilling their social responsibility. In order to effectively standardise the environmental protection measures in its operation, the Group has drawn up a series of policies including the Environmental Protection Policy Statement.

Emissions

Greenhouse gas ("GHG")

During the Year, the Group continued to work with Carbon Care Asia to conduct carbon assessment for quantifying the GHG emissions (the "Carbon Emissions") generated from its operations. The quantification process made reference to the Guidelines[3] released by the National Development and Reform Commission of the People's Republic of China, as well as ISO 14064–1 and Greenhouse Gas Protocol, and other international standards.

Total Carbon Emissions

2,368.8 tonnes of CO_2 equivalent

Proportion of Carbon Emissions generated indirectly via **purchased electricity:**

55.1%

Carbon Emissions density

0.2 tonnes of CO_2 equivalent/RMB10,000 of revenue

The Carbon Emissions by Each Operation Site of the Group were mainly derived from the indirect emissions generated by purchased electricity under Scope 2, accounting for 55.1% of the total Carbon Emissions. While the second largest emission source was the indirect emissions generated by purchased steam which was also under Scope 2, accounting for 37.1% of the total Carbon Emissions. The Group's total Carbon Emissions increased by merely 0.4% as compared with that of FY2018/2019.

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

Since the Carbon Emissions of the Plant accounted for over 90% of our total Carbon Emissions, the fluctuation in the Group's total Carbon Emissions was directly related to the Carbon Emissions of the Plant. Although the total Carbon Emissions of the Plant were similar to those of FY2018/2019, there were changes in the Carbon Emissions from various scopes when compared to those of FY2018/2019. The GHG emissions under Scope 1 increased by 53.0%, mainly attributable to increase in natural gas consumed by the kitchen equipment due to prolonged use of the kitchen (such as production overtime). On the other hand, the GHG emissions under Scope 2 and Scope 3 decreased by 2.1% and 23.4%, respectively. On a separate note, the Carbon Emissions of the Hospital increased by 147.2%[4] due to the newly disclosures of purchased electricity and business travel for its employees. Thus the increase in GHG emissions cannot reflect the actual changes in the Hospital's environmental performance. The Group will continue to assess, record and disclose its main sources of Carbon Emissions and other environmental data on an annual basis to allow for comparison with future data. Through this comparison, Golden Meditech is able to review the effectiveness of its existing measures and facilitate the setting of future emission reduction targets.

Environmental KPI：GHG

Indicator	Emissions (tonnes CO2 equivalent) FY2019/2020	Emissions (tonnes CO2 equivalent) FY2018/2019
Total GHG emissions (Scope 1, 2 and 3)	**2,368.8**	2,359.9
Total GHG emissions (Scope 1 and 2)	**2,345.4**	2,333.4
Scope 1: Direct GHG emissions[5]	**161.6**	107.7
Scope 2: Energy indirect GHG emissions[6]	**2,183.8**	2,225.7
Scope 3: Other indirect GHG emissions[7]	**23.4**	26.5
GHG emissions intensity (tonne CO_2 equivalent/RMB10,000 of revenue)	**0.2**	0.1

4 The Hospital's carbon emissions (only Scope 1 Carbon Emissions) was 6.1 tonnes of CO_2 equivalent in FY2018/2019 and 15.0 tonnes of CO2 equivalent in FY2019/2020.

5 Scope 1: include emissions from the combustion of fossil fuels from stationary and mobile sources and fugitive emissions from refrigeration equipment. Although the refrigerant R-22 used in refrigeration equipment is not included in the six greenhouse gases covered by the Kyoto Protocol, the emissions resulting from its leakage are also included in the assessment, so as to provide true and fair presentation of the information about greenhouse gas.

6 Scope 2: include emissions from electricity purchased from power companies and emissions from purchased steam. In particular, the Hospital could not independently measure the electricity consumption as it has shared the same building with Shanghai East Hospital in FY2018/2019. In addition, the Hospital was relocated to a new site in July 2019, thus the GHG emissions from electricity consumption by the Hospital in FY2019/2020 only cover the power consumption of the new operating site from July 2019 to March 2020.

7 Scope 3: include upstream and downstream emissions caused by employee business trips and other matters.

Waste

Due to the nature of its business, the Hospital produces a certain amount of medical waste such as needles, blades and suture needles from its daily operation. They are treated in accordance with the treatment principles under the Operating Specifications for Medical Waste Treatment as follows:

- Medical waste shall not be mixed with domestic garbage;
- Wastes used by patients with infectious diseases should be immersed in chlorine disinfectant for 1 hour before being transported to third party agency for further treatment;
- The storage of medical waste should not exceed 3/4 of the total capacity of the packaging container which should be seamlessly sealed; and
- Medical waste should be transported using designated lifts or during designated time periods.

Each Operation Site produced a total of approximately 2.5 tonnes of hazardous wastes during the Year, comprising damaging wastes, infectious wastes and mercury-containing wastes, all of which were handled by professional companies for recycling treatment. In particular, as the Hospital was relocated to a new operation site during the Year, a certain amount of sharp wastes were generated, resulting in an increase in the damaging wastes. Besides, the Plant produces a certain amount of waste mineral oil and waste activated carbon when maintaining its equipment. No such data were disclosed in FY2018/2019 as the use of mineral oil and activated carbon is not applicable to all fiscal years. In addition to waste mineral oil and waste activated carbon, the Plant also produced 0.10 tonnes of waste lamp during the Year, which is similar to that of FY2018/2019.

The non-hazardous wastes included only 0.1 tonnes of office paper produced by the Hospital, which were transported to the refuse point as general trash. The consumption of office paper decreased during the Year and most of the paper used was kept as file record, causing the total amount of non-hazardous wastes decreased by 79.7% as compared with that of FY2018/2019. Moreover, the introduction of hospital information system for the Hospital and the enterprise resource planning system for the Plant speed up the adoption of paperless operation workflow.

To further improve the accuracy of waste data, the Hospital planned to re-evaluate the waste data in the next fiscal year, while the Plant has also communicated with the cleaning company to provide relevant data in the next fiscal year.

Environmental KPI: Waste

Indicator	Emissions (tonnes)	
	FY2019/2020	FY2018/2019
Total hazardous wastes	**2.53**	1.04
Mercury-containing wastes	**0.10**	0.10
Waste mineral oil	**1.22**	Not applicable
Waste activated carbon	**0.01**	Not applicable
Damaging wastes	**0.17**	0.07
Infectious wastes	**1.03**	0.87
Hazardous wastes emissions density (tonne/RMB10,000 of revenue)	**0.0002**	0.0001
Total non-hazardous wastes	**0.1**	0.5
Office papers	**0.1**	0.5
Non-hazardous wastes emissions density (tonne/RMB10,000 of revenue)	**0.0002**	0.0001

Exhaust Gas

The air emissions of Each Operation Site were mainly from the use of kitchen equipment and vehicles. Comparing with FY2018/2019, nitrogen oxides, sulfur oxides and respirable suspended particle emissions decreased by 3.9%, 5.0% and 19.9% respectively, mainly due to the lesser use of vehicles. The Group will endeavor to reduce the exhaust gas generated during its operation in accordance with the provisions of the Environmental Protection Policy Statement.

Environmental KPI: Exhaust gas

Indicator	Emissions (kg)	
	FY2019/2020	FY2018/2019
Nitrogen oxides	**54.8**	57.0
Sulfur oxides	**3.9**	4.1
Respirable suspended particle	**1.8**	2.3

Wastewater

In order to ensure that the wastewater produced from its daily operation is properly treated, the Plant has assigned designated personnel to carry out monthly inspection to safeguard the normal working condition of the wastewater pipelines. On the other hand, the wastewater produced by the Hospital's operation was treated by the centralised wastewater treatment station of Shanghai East Hospital.

Use of Resources

Energy

To achieve a more efficient use of energy, the Plant has purchased energy-saving LED lamps for lighting purposes during the Year. Meanwhile, the Plant arranged staff to carry out periodic inspection on the power distribution system and air conditioning system to avoid waste of energy due to obsolete equipment. The Plant has installed cooling towers during the Year to replace the chillers in winter with a view to further improve energy efficiency. On the other hand, the Hospital has also appointed relevant employees to monitor the use of energy to ensure the effectiveness of energy saving measures. At the same time, the new operating premise of the Hospital only uses LED lighting, so as to reduce energy consumption.

The resources used by the Group include purchased energy of the Plant and the Hospital, fossil fuels consumed by vehicles and kitchen equipment, water resources and packaging materials for its products. Steam and electricity are the major energies consumed by Each Operation Site of the Group. The total energy consumption of Each Operation Site decreased by 1.7% as compared with that of FY2018/2019, of which the energy consumption of the Plant decreased by 1.9% and that of the Hospital increased by 38.1% respectively as compared with that of FY2018/2019.

Environmental KPI: Energy

Indicator	Consumption (MWh equivalent)	
	FY2019/2020	FY2018/2019
Total energy consumption	**4,838.9**	4,924.4
Indirect energy		
Electricity[8]	**2,138.8**	2,168.8
Heat (steam)	**2,219.5**	2,279.1
Direct energy		
Gasoline	**202.0**	233.6
Diesel	**33.8**	32.5
Natural gases	**244.8**	210.4
Energy consumption density (MWh equivalent/RMB10,000 of revenue)	**0.38**	0.31

Water

To conserve water consumption, the Plant and the Hospital used water faucets with first-grade water efficiency labels, and arranged designated personnel to conduct regular inspection on the water pipes and faucets for leakage and carried out immediate repair and maintenance when necessary. Water consumption during the Year increased by 5.6% as compared to that of FY2018/2019.

8 The Hospital could not independently measure the electricity consumption as it has shared the same building with Shanghai East Hospital in FY2018/2019. In addition, the Hospital was relocated to a new site in July 2019, thus the electricity consumed by the Hospital in FY2019/2020 only cover power consumption of the new operating premise from July 2019 to March 2020.

Environmental KPI: Water

Indicator	Consumption (m^3)	
	FY2019/2020	FY2018/2019
Water[9]	**20,856**	19,741
Water consumption density (m^3/RMB10,000 of revenue)	**1.6**	1.7

Packaging Materials

The Group understands that reducing the use of packaging materials is one of the important ways to conserve resources, including prioritising those environmentally-friendly products or materials in its procurement process and avoiding unnecessary packaging materials in its product design. During the year, the Plant consumed approximately 52 tonnes of packaging materials, representing a decrease of 17.5% as compared with that of FY2018/2019. The Hospital does not use packaging materials.

Environmental KPI: Packaging materials

Indicator	Consumption (tonnes)	
	FY2019/2020	FY2018/2019
Packaging materials	**52**	63
Packaging materials density (tonnes/RMB10,000 of revenue)	**0.006**	0.005

Environment and Natural Resources

To strengthen the protection of surrounding environment and natural resources, the Plant has formulated the Emergency Response Plan for Preventing Poisoning and Environmental Emergencies to ensure effective implementation of such emergency measures upon occurrence of relevant events. The Plant has set up an emergency response team led by its chief executive officer, which is mainly responsible for formulating emergency response plans, organising emergency drills and preparing emergency rescue work. Upon occurrence of an environmental accident, the emergency response team shall immediately kick off the emergency response plan, establishing an expert group, staff rescue group, process control group and engineering rescue group, which are headed by the respective experts to ensure that scientific measures are properly taken to address the situation. After the accident is properly handled, the emergency response team shall convene a review meeting to evaluate the effect of the emergency response plan and come up with improvement proposals.

All beds in the Hospital should be subject to wet cleaning to prevent viruses from polluting the surrounding environment through dust. Furthermore, all items used by patients with infectious diseases should be treated in accordance with the principle of “disinfection before discharge”.

9 The Hospital could not independently measure the water consumption as it has shared the same building with Shanghai East Hospital in FY2018/2019. In addition, the Hospital was relocated to a new site in July 2019, thus the water consumed by the Hospital in FY2019/2020 only cover the water consumption of the new operating premise from July 2019 to March 2020.

EMPLOYEE CARE

Safeguarding the legitimate rights and interests of the employees, creating a safe working environment and cultivating outstanding talents are not only essential for the accomplishment of corporate's operation targets, but also represent key criteria for the assessment of corporate's ESG performance. Golden Meditech has mapped out the Employment and Labour Practices Policy Statement, and Each Operation Site has also formulated the Employee Handbook, the Recruitment System and other management systems, which provide explicit measures for employee remuneration, recruitment, dismissal, training, safety and labour standards.

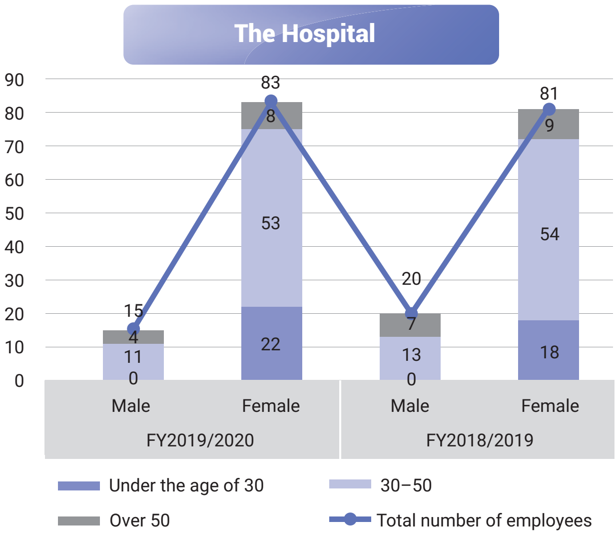
Employment

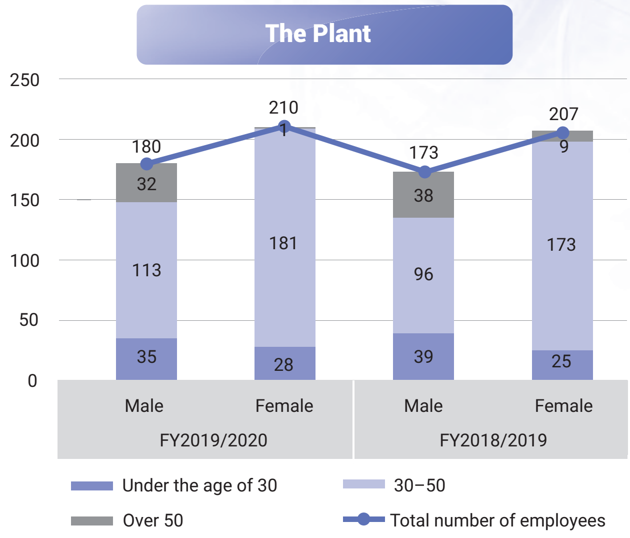
Remuneration and dismissal	Recruitment and promotion	Working hours
• The remuneration provided by the Hospital comprised of basic salary, allowance and bonus. In addition to basic salary, the remuneration provided by the Plant also comprised of performance-based bonus and subsidy. • Any employee who violate the relevant regulations of Each Operation Site that results in significant loss to the Group, such as serious misconduct or violation of law, shall be dismissed immediately.	• The Recruitment System of Each Operation Site provides that recruitment application form shall be filled in by each hiring department and submitted to the human resources department for approval, and then the human resources department shall issue recruitment advertisements through various channels and organise interviews. Recruitment channels of Each Operation Site are through public recruitment and internal recruitment. • Each Operation Site will conduct regular performance appraisal on their employees, the results of which shall be used as reference for future promotion.	Each Operation Site of the Group provides a five-day working week arrangement and complies with the relevant provisions under the Labour Law regarding working hours.

Holidays	**Equal opportunities and anti-discrimination**	**Diversity**
Each Operation Site offers employees marriage leave, parental leave, maternity leave, bereavement leave and other leaves.	The Group undertakes to provide equal opportunities to all employees in respect of recruitment, training and career development, regardless of their gender, age, nationality, colour, etc. Furthermore, the Group is committed to creating an anti-discrimination working environment where there is zero tolerance towards discrimination in any form.	The Group will allocate more resources to build a diversified working environment. Currently, Each Operation Site has hired 12 ethnic minorities, eight disabled employees and 13 foreign staff.
Other benefits	**Child labour**	**Forced labour**
The Plant provides employees with additional benefits such as canteen facility, company shuttle transport, staff accommodation and communication allowance, while the Hospital offers employees free physical examination once a year.	The Group strictly complies with the national laws and regulations, prohibits the use of child labour and takes proper measures during the recruitment process to prevent misuse of child labour to the best of its abilities.	The Group undertakes to avoid employment of indentured labour, involuntary prison labour, trafficked labour or slave labour. Moreover, Each Operation Site does not encourage employees to work overtime. Employees who have to work overtime due to necessary business needs are entitled to compensatory leave or overtime pay after obtaining permission from the person in charge of the department.

The number of staff employed in the Hospital and the Plant during the Year were 98 (FY2018/2019: 101) and 390 (FY2018/2019: 380) respectively.

Employees of Each Operation Site by Gender and by Age





FY2019/2020 Employees of Each Operation Site by Position

		The Hospital	The Plant
Gender	Male	15	180
	Female	83	210
Age	Under the age of 30	22	63
	30–40	47	196
	41–50	17	98
	Over 50	12	33
Employment category	Middle and senior management	13	25
	General staff	85	365
Employment type	Full-time	83	390
	Part-time	15	0
Total number of employee		98	390

During the Year, the staff turnover rate of the Hospital and the Plant were 25.5% (FY2018/2019: 20.8%) and 8.7% (FY2018/2019: 13.4%), respectively. The Group arranges exit interviews to minimise the staff turnover rate and retain talents.

FY2019/2020 Staff Turnover Rate of Each Operation Site

		The Hospital	The Plant
Gender	Male	5 (33.3%)	20 (11.1%)
	Female	20 (24.1%)	14 (6.7%)
Age	Under the age of 30	7 (31.8%)	15 (23.8%)
	30–40	5 (10.6%)	14 (7.1%)
	41–50	9 (52.9%)	1 (1.0%)
	Over 50	4 (33.3%)	4 (12.1%)
Total staff turnover rate		25 (25.5%)	34 (8.7%)

Health and Safety

The Group emphasises on the health and safety of its employees, which is also one of the materiality issues raised by the stakeholders. By implementing a systematic work process and safety management measures, the Group aims to reduce the occupational risks to which the staff are exposed when performing their daily task. The Group has formulated the Employment and Labour Practices Policy Statement, and Each Operation Site has also developed various policies according to their respective circumstances, such as the Personal Protection System, Infection Training System and Standard Operating Procedures for Occupational Exposure Protection by the Hospital and the Rules on the Emergency Rescue and Management of Occupational Hazards, Rules on the Warning and Notification of Occupational Hazards and System of Responsibility for the Prevention and Control of Occupational Hazards by the Plant.

The Hospital

Aspects	Descriptions		
Policy	Personal Protection System	Infection Training System	Standard Operating Procedures for Occupational Exposure Protection
Measures and supervising methods	The system provides that the Hospital shall provide relevant employees with a series of personal protective equipment like isolation gowns, protective clothing, masks, gloves and caps according to its actual conditions, which come with detailed user instructions for different gears.	The Hospital requires the medical staff to participate in learning the rules and regulations on occupational safety and personal protection, management of medical waste, as well as the national rules and regulations in relation to infection management of hospitals on a regular basis. In particular, members of the infection control group shall attend the infection trainings organised by the Hospital for more than 15 hours per year.	Whenever there is medical staff suffering from occupational exposure injuries such as cut injury by sharp instruments or mucosa exposure at work, such incidents shall be reported to the head of the department immediately with the Occupational Exposure Injury Report duly completed. In handling such incidents, the head of the department shall offer necessary consultation service to the relevant staff to relieve them from distress and prohibit any divulgation of their conditions to unrelated personnel.
Equipment	Including isolation gowns, protective clothing, masks, gloves, caps and etc.		

The Plant

Aspects	Descriptions		
Policy	Rules on the Emergency Rescue and Management of Occupational Hazards	Rules on the Warning and Notification of Occupational Hazards	System of Responsibility for the Prevention and Control of Occupational Hazards
Measures and supervising methods	The system sets out emergency response plans for occupational hazards, and gives instructions such as escape route after the outbreak of such hazards, emergency meeting point and medical rescue plan. Moreover, the Plant has set up an emergency rescue command center for occupational hazards, which is mainly responsible for organising rescue taskforce to deal with the occupational hazards, reporting the handling progress of such accidents to the superior department as well as conducting accident investigation and remedial measures.	When signing labour contract with the employees, the human resources department shall state in the labour contract the potential occupational hazards related to the respective position and the relevant consequences, as well as the protective measures taken against such occupational hazards. For those employees who need to swift position because of personal career development, the human resources department shall also enter into a supplemental contract with such employee notifying the occupational hazard factors. Further, the production department conducts an annual occupational hazard factor test and announces the test results to all employees on a regular basis.	The Plant shall, according to its actual conditions, engage one to two part-time occupational health administrators in charge of prevention and control of occupational hazards, such as organising occupational health training, participating in regular on-site inspections, taking part in the investigation and handling of occupational hazard accidents, and organising periodical physical examination for the employees.
Equipment	The Plant will provide all employees with protective articles against occupational hazards including gloves, anti-static work clothing and safety helmets. For those employees who work under the working environment that exposed to flammable, explosive and burning materials, and static electricity, they are equipped with special protective equipment such as flame-retardant protective clothing, protective clothing against liquid acids and alkalis or anti-static clothing.		

There was one work-related injury reported by the Group during the Year, where an employee of the Plant was hit by a vehicle after work and was brought to hospital for immediate treatment. Currently, the employee has fully recovered and returned to work. During the year, there were no fatality cases in the Group.

Development and Training

The Group recognises that improvement of vocational skills is essential for the future career development of its employees. Thus, each of the Hospital and the Plant has formulated the Administrative Measures for Training and Management System for Staff Training, aiming to upgrade the relevant systems of the Group and satisfy various needs of the employees by providing a variety of training programmes.

The Hospital

The Hospital has a three-tiered management system in place, whereby each of the human resources department, medical department and administration department is responsible for planning annual training program and budget, coordinating and assessing medical-related training, and collecting relevant information on non-medical training (including attendance record, and feedbacks from trainees, etc.). During the Year, all employees of the Hospital have participated in different types of training, namely trainings on guidelines for vaccination of Category II vaccine, aseptic surgical procedure, patient privacy protection and medical cosmetology. The percentage of trainees reached 100% (FY2018/2019: 100%), with a total of 784 training hours (FY2018/2019: 998 training hours) and an average of 8.0 training hours (FY2018/2019: 9.9 training hours) per staff.

FY2019/2020 Percentage of Employees Trained and Average Training Hours in the Hospital

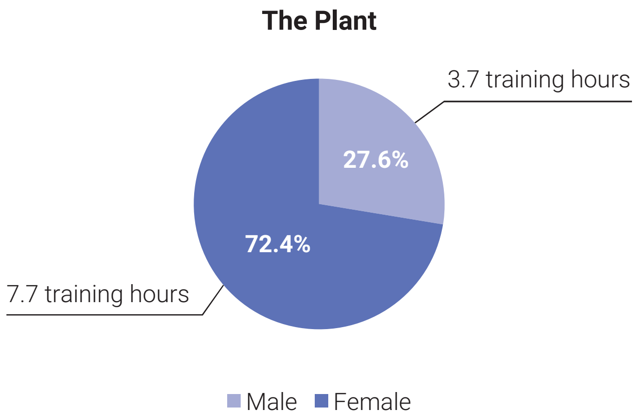
Gender	Male	100% (8.0)
	Female	100% (8.0)
Employment category	Middle and senior management	100% (8.0)
	General staff	100% (8.0)
Total		100% (8.0)

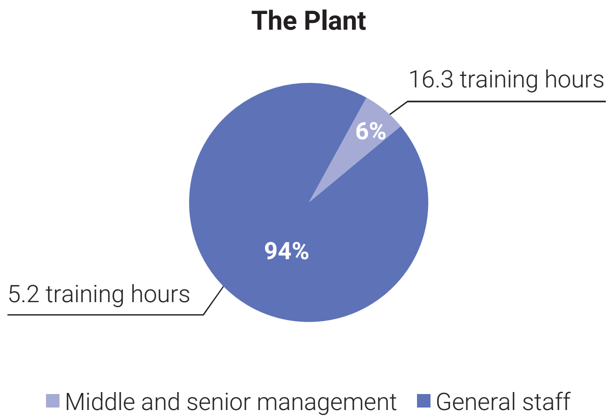
The Plant

To equip all employees with necessary trainings for their career development, the Plant offers internal training, external training and special training given by external experts. During the Year, the Plant rolled out management courses on cost control and analysis of human resources, time management of highly effective personnel, team building, conflict management, and other professional courses, such as sterilisation process training, training on basic knowledge of microbiology and professional training for special operation personnel.

During the Year, the percentage of trainees at the Plant reached 51% (FY2018/2019: 15%), with a total of 2,288 training hours (FY2018/2019: 1,296 training hours) and an average of 5.9 training hours (FY2018/2019: 3.4 training hours) per staff.

FY2019/2020 Percentage of Employees Trained and Average Training Hours in the Plant





OPERATION MANAGEMENT

The Group values the adherence to business ethics and protection of corporate image through supply chain management, service quality improvement and anti-corruption practice during its operation. To this end, the Group has laid down a series of relevant policies to regulate its operation activities.

Supply Chain Management

The Group attaches great importance to managing the environmental and social risks associated with the supply chain. The Group has laid down the Policy Statements on Supply Chain Management, Product Responsibility and Anti-corruption, while the Hospital and the Plant have formulated the Administrative Measures for Suppliers and Procurement Control Procedures, respectively, which explicitly stipulate the administrative measures over suppliers in the environmental and social dimensions. Furthermore, the Hospital's equipment management department organises annual supplier assessment meeting to assess the performance of each supplier.

Dimensions	Administrative measures	Sources
Environmental	The suppliers shall submit a list of potential environmental risks to the relevant department for approval, stating the risks associated with the environment.	Administrative Measures for Suppliers by the Hospital
	The suppliers shall furnish the ROHS[10] directive compliance document in relation to the products, evidencing its compliance with the requirements of the relevant environmental laws and regulations.	Procurement Control Procedures by the Plant
Social	The supplier review panel shall review the social risks and reputation risks of the potential suppliers, i.e. by reviewing whether there are any violations of labour and safety related laws and regulations.	Administrative Measures for Suppliers by the Hospital
	The procurement department will conduct on-site inspection when necessary to inspect the production environment, technological process, storage and transportation conditions of the suppliers, so as to ensure the quality and safety of the products provided by the suppliers.	Procurement Control Procedures by the Plant

10 ROHS refers to the restriction of the use of certain hazardous substances in electrical and electronic equipment.

During the Year, the Hospital and the Plant partnered with 73 and 5 suppliers located in mainland China, respectively. Except for certain government-designated suppliers due to the COVID-19 pandemic, other suppliers are managed and selected in accordance with the relevant practice set out in the Administrative Measures for Suppliers and Procurement Control Procedures.

Product Responsibility

Quality Management

The Hospital

The Group prioritises the health and safety of its patients during the operation process. Currently, the Hospital has developed the Compilation of Rules and Regulations for Medical which sets out relevant management systems regarding medical safety management, prevention of medical accident and management and inspection of medical service quality, with an aim to improve its service quality. For instance, sampling inspections on the drugs by the relevant department of the Hospital and local drug administration authority are carried out on regular basis to ensure drug quality and safety. Moreover, good communication between the Hospital and its patients is key to ensure timely and right treatment for the patients. Thus, the Compilation of Rules and Regulations for Medical stipulates that medical staff shall conduct one official communication with the patients within 48 hours after admission, explaining the diagnosis, major treatments preparation and next treatment plans.

During the Year, due to the COVID-19 pandemic, the Hospital offers medical consultation services via Wechat to certain patients, allowing them to receive medical attention without leaving their home.

The Plant

The Plant follows the Inspection and Test Control Procedures to monitor and measure its production processes, ensuring the product quality meets the relevant standard requirements. Such procedures cover five steps, namely incoming goods inspection, process monitoring and measurement, first piece inspection, self-inspection and on-site inspection. Any finished product that is determined as sub-quality by the quality control staff shall be labelled as “unqualified” and placed in an isolated area and shall be dealt in accordance with the Control Procedures of Unqualified Products.

Customer Data Protection

The Group understands that protecting customer privacy is fundamental to achieving good corporate governance. The Hospital and the Plant mainly collect customer data at the point of patients admission or acceptance inspection of the products by the customers. Each Operation Site of the Group undertakes to take proper measures to keep the privacy of the patients and customers in strict compliance with the relevant requirements under the Policy Statements on Supply Chain Management, Product Responsibility and Anti-corruption.

Customer Opinion Management

The Hospital engages regular communication with its patients and invites them to fill out the Customer Survey Form and deliver objective assessment on the services provided by the Hospital. In addition, the Plant also encourages customers to provide comments or suggestions on its products, and has developed the Customer Feedback and Complaint Handling Control Procedure to standardise customer complaint management. During the Year, the Plant received a total of five complaints, which were mainly due to the quality of the products and all complaints have been addressed. In order to further improve product quality and reduce customer complaints, the Plant plans to increase the frequency and intensity of training for the production and sales staff in the coming fiscal year.

Intellectual Property Rights Protection

The Group acknowledges the importance of intellectual property rights to corporate development. Therefore, Each Operation Site prohibits its employees from disclosing any intellectual property of the Group to any third party without prior authorisation. Meanwhile, all employees of the Group shall not take any actions that may infringe others' intellectual property rights.

Advertising Management

The Hospital invests in advertising due to business and operation needs. In order to strengthen advertisement management, the Hospital has developed the Advertising Content Standards, which stipulates that all advertisements must be based on facts and prohibits the overstatement of actual results. In addition, medical advertisements shall be filed with the relevant government authority before placement of such advertisements.

Product Labelling

After completion of product production, the staff from the quality management department of the Plant shall review the product labels including the product specification, so as to ensure such products are in compliance with the relevant technical requirements.

Anti-corruption

The Group acknowledges that anti-corruption practice is not only a social requirement for businesses, but also an important way for them to demonstrate their sense of social responsibility. The Group has drawn up the Policy Statements on Supply Chain Management, Product Responsibility and Anti-corruption to fulfil the Group's commitment to fight corruption. In addition, Each Operation Site has also spelt out clearly in the Employee Handbook that corruption, embezzlement and bribery are regarded as serious disciplinary offence. If such inappropriate conduct is confirmed after investigation, the staff involved shall be immediately dismissed.

COMMUNITY INVESTMENT

The Group is devoted to community building and actively organises and participates in various activities to contribute to community development. Under the framework established in the Community Investment Policy Statement, the Group organised and participated in the following major activities during the Year:

First Aid Knowledge Campaigns	The Hospital was invited by Israel Consulate in Shanghai and Little Kickers, a soccer school, to provide training courses in relation to emergency response trainings and first aid drills, teaching first aid knowledge to the relevant staff, so as to reduce the risk of injury upon occurrence of an emergency. In addition, the Hospital has organised a total of 17 first aid knowledge campaigns targeted for various social groups.  
Health and Public Welfare Activity	The Plant participated in the health and public welfare activity of "Hands in Hands, Light up Life (心手相連，點亮生命)" co-organised by the Chinese Society of Cardiothoracic and Vascular Anesthesiology and the Ulanqab Municipal Health Commission. This public welfare benefited more than 4,400 local compatriots of different ethnic groups, including over 100 local frontline grass-root medical staff. During this activity, the Plant donated an autologous blood recovery system to the local hospital, with a view to improve the medical treatment conditions of the local community.  

Health Knowledge Lecture	The Hospital organised a health knowledge lecture for over 20 students from Shanghai Jincai High School, reminding the students to look after their own physical and mental well-being while achieving academic advancement.  
Blood Donations	The Hospital encouraged and organised its staff to donate blood, making contributions to the society. Each voluntary blood donor was rewarded with RMB1,500 plus 5 days compensated leaves by the Hospital. 

COMPLIANCE DISCLOSURE

Compliance with relevant laws and regulations

Dimensions	Relevant laws and regulations	Compliance disclosures	Material impacts on the Company	Measures taken to ensure compliance with these laws and regulations
Emissions	– Environmental Protection Law of the People's Republic of China – Law of the People's Republic of China on Prevention and Control of Water Pollution – Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution	The Group was not aware of any cases of violation of laws and regulations concerning emissions during the Year.	The Company may be subject to administrative penalty or, in severe cases, be ordered to suspend production and operation.	The Company strictly abides by the requirements of the Environmental Protection Law, formulates relevant systems to avoid, minimise and control environmental pollution caused by its daily operation, and treats and disposes of the emissions according to the best international practices.
Employment	— Labour Law of the People's Republic of China — Law of the People's Republic of China on Labour Contracts — Law of the People's Republic of China on the Protection of Women's Rights and Interests	During the Year, the Group was not aware of any cases of violation of laws and regulations concerning employment.	The Group may be subject to administrative penalty and damage to company image.	The human resources department formulates the Recruitment System in accordance with relevant laws, and adheres to of transparent, equal and fair selection and employment principles.

Dimensions	Relevant laws and regulations	Compliance disclosures	Material impacts on the Company	Measures taken to ensure compliance with these laws and regulations
Health and safety	— Production Safety Law of the People's Republic of China — Law of the People's Republic of China on the Prevention and Control of Occupational Diseases — Law of the People's Republic of China on the Protection of Women's Rights and Interests	The Group was not aware of any cases of violation of laws and regulations concerning health and safety During the Year.	The Group may be subject to litigation proceedings.	Relevant systems are reviewed and updated on a regular basis to ensure that the safety measures comply with the existing local regulations where the Group operates.
Labour standards	— Labour Law of the People's Republic of China — Law of the People's Republic of China on the Protection of the Minors	During the Year, the Group was not aware of any cases of violation of laws and regulations concerning labour standards.	The market reputation of the Group may be damaged.	The Group strictly prohibits the use of child labour and forced labour at Each Operation Site, and has developed remedial measures to deal with the misuse of child labour and forced labour in a timely manner.

Dimensions	Relevant laws and regulations	Compliance disclosures	Material impacts on the Company	Measures taken to ensure compliance with these laws and regulations
Product responsibility	— Drug Administration Law of the People's Republic of China — Regulations on the Administration of Medical Institutions — Regulations on the Supervision and Administration of Medical Devices	The Group was not aware of any cases of violation of laws and regulations concerning product responsibility during the Year.	The Licence for Medical Devices Business (《醫療器械經營許可證》) and Practicing Licence for Medical Institution (《醫療機構執業許可證》) may be revoked, resulting in substantial economic loss to the Group.	The Plant stringently implements quality inspection procedures over every aspect of the supply chain. The medical team follows the Compilation of Rules and Regulations for Medical, and regularly carries out sampling inspections on medicine quality.
Anti-corruption	— Anti-Unfair Competition Law of the People's Republic of China — Anti-Money Laundering Law of the People's Republic of China — Criminal Law of the People's Republic of China	During the Year, there were no corruption-related litigations against the Group or its employees, nor was there any violation of relevant laws and regulations that have a significant impact on the Group.	Operational costs of the Group will increase, leading to economic loss.	It is prescribed in the Employee Handbook that all staff must abide by the Code of Conducts. The Group adopts a zero-tolerance policy towards corruption, bribery and other illegal conducts.

ESG REPORTING GUIDE

Subject Areas	Contents	Page/Note
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	68–71, 86
A1.1	The types of emissions and respective emission data.	71
A1.2	GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	68–69
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	70–71
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	70–71
A1.5	Description of measures to mitigate emissions and results achieved.	68–69, 71
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	70–71
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	68
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	72
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	73
A2.3	Description of energy use efficiency initiatives and results achieved.	72
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	72–73; there is no issue in sourcing water that is fit for purpose
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	73

Subject Areas	Contents	Page/Note
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	73
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	73
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	74, 86
B1.1	Total workforce by gender, employment type, age group and geographical region.	75–76
B1.2	Employee turnover rate by gender, age group and geographical region.	76–77
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	77, 87
B2.1	Number and rate of work-related fatalities.	80
B2.2	Lost days due to work injury.	80
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	78–79

Subject Areas	Contents	Page/Note
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	80
B3.1	The percentage of employees trained by gender and employee category (such as senior management and middle management).	80–81
B3.2	The average training hours completed per employee by gender and employee category.	80–81
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	74, 87
B4.1	Description of measures to review employment practices to avoid child and forced labour.	75
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	81
B5.1	Number of suppliers by region.	82
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	81–82

Subject Areas	Contents	Page/Note
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	82–83, 88
B6.2	Number of products and service related complaints received and how they are dealt with.	83
B6.3	Description of practices relating to observing and protecting intellectual property rights.	83
B6.4	Description of quality assurance process and recall procedures.	82
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	83
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	83, 88
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	88
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	84
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	84–85
B8.2	Resources contributed (e.g. money or time) to the focus areas.	84–85

INDEPENDENT AUDITOR'S REPORT

KPMG

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

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Golden Meditech Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 99 to 200, which comprise the consolidated statement of financial position as at 31 March 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Refer to note 13 to the consolidated financial statements and the accounting policies on pages 125 to 126.

The Key Audit Matter	How the matter was addressed in our audit
The Group's hospital business includes the operations of three hospitals and has been loss making since the year ended 31 March 2013. Accordingly, management considered that there was an indication of impairment of non-current assets in relation to the hospital business, which primarily comprised goodwill, property, plant and equipment and operating lease of land included in the right-of-use-assets (formerly known as interests in leasehold land held for own use before the adoption of HKFRS 16) which had carrying values of HK$125 million, HK$923 million and HK$833 million, respectively as at 31 March 2020. Management performs impairment assessments of the cash-generating units ("CGUs") of the hospital business to which the non-current assets have been allocated at the year end. Management compares the carrying amount of each CGU with its recoverable amount, which is determined by assessing the value in use based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement and estimation, particularly in forecasting revenue growth and operating profit and in determining the discount rates applied.	Our audit procedures to assess impairment of non-current assets in relation to the hospital business included the following: • evaluating the management's identification of CGUs, the amounts of non-current assets and other assets and liabilities allocated to each CGU and the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards; • comparing the most significant inputs adopted in the discounted cash flow forecasts, including forecast revenue, forecast cost of sales and forecast operating expenses with (i) the historical performance of the Group's hospital business; and (ii) data from comparable companies and external market data; • engaging our internal valuation specialists to assist us in evaluating the methodology adopted by management in the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and assessing whether the discount rates applied were within the range adopted by other companies in the same industry; • performing a retrospective review of the prior year's discounted cash flow forecasts by comparing the previous forecast with the current year's results to assess the reliability of management's forecasting process, discussing significant variances with management and considering the effect of such variances on the current year's forecasts;

KEY AUDIT MATTERS (continued)

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

Refer to note 13 to the consolidated financial statements and the accounting policies on pages 125 to 126.

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing potential impairment of non-current assets in relation to the hospital business as a key audit matter because of the significance of non-current assets in relation to the hospital business to the consolidated statement of financial position and because of the significant level of management judgement required to be exercised in determining the assumptions adopted in the impairment assessments, particularly in respect of the operation model, future revenue growth and the discount rates applied, which could be inherently uncertain and subject to management bias.	• obtaining management's sensitivity analysis of the key assumptions to which the outcome of the impairment assessments was most sensitive, including forecast revenue and forecast profit margin, assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments, and considering whether there was any indicator of management bias in the selection of these assumptions; and • considering whether the disclosures in the consolidated financial statements in respect of the impairment assessments in relation to the hospital business satisfy the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Assessing impairment of receivables due from Sanpower Group Limited ("Sanpower")

Refer to notes 17 and 19 to the consolidated financial statements and the accounting policies on pages 122 to 125.

The Key Audit Matter	How the matter was addressed in our audit
In November 2016, the Group entered into an agreement with Sanpower, pursuant to which, Sanpower agreed to pay the Group US$300 million, equivalent to approximately HK$2,340 million, by five instalments within 36 months. Since the year ended 31 March 2019, Sanpower has been facing credit crunch and failed to repay the fourth and fifth instalments to the Group amounting to US$110 million, equivalent to approximately HK$858 million, which accounted for approximately 12% of the total assets of the Group. The Group does not hold any collateral against this outstanding balance. The receivables due from Sanpower was credit-impaired since the year ended 31 March 2019 and loss allowance equals to lifetime expected credit losses amounting to HK$493 million and HK$19 million have been recorded during the years ended 31 March 2019 and 2020, respectively. The measurement of expected credit loss reflects a probability-weighted amount determined by evaluating a range of possible outcomes, which is subject to a number of assumptions, including the estimates of repayment schedule, probability-weighted loss given default, discount rate, adjustments for forward-looking information and other adjustment factors. Management judgement is involved in the application of the assumptions. We identified the impairment of receivables due from Sanpower as a key audit matter because of its financial significance to the Group and because of inherent uncertainty and management judgement involved in the measurement of expected credit loss.	Our audit procedures to assess impairment of receivables due from Sanpower included the following: • inspecting all the agreements related to the receivables due from Sanpower and checking the receipt of repayment during the year, if any; • reviewing Sanpower's latest financial statements and conducting news research on Sanpower; • involving our internal valuation specialist to assist us in assessing the appropriateness of assumptions adopted in the estimate of expected credit loss, including the probability of default, discount rate, adjustments for forward-looking information and other management adjustments and assessing the reasonableness of key management judgement; • for key assumptions involving judgement, critically assessing the assumptions by seeking evidence from external sources. As part of these procedures, we challenged management's revisions to estimates compared with prior period and considered the consistency of judgement. We compared the economic factors used in the estimate with market information to assess whether they were aligned with market and economic development; and • considering whether the disclosures in the consolidated financial statements in respect of the expected credit losses for the receivables due from Sanpower satisfy the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 June 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 (Note) $'000
Revenue	4	307,141	315,668
Cost of sales		(188,623)	(181,243)
Gross profit		118,518	134,425
Other net income	5	117,494	138,076
Selling and marketing expenses		(54,677)	(53,775)
Administrative expenses		(326,121)	(389,746)
Impairment loss on other receivables	6(c)	(18,642)	(378,843)
Loss from operations		(163,428)	(549,863)
Finance costs	6(a)	(51,656)	(74,271)
Changes in fair value of financial instruments at fair value through profit or loss	6(c)	(37,057)	(13,971)
Share of losses of associates		(12,069)	(18,892)
Share of losses of joint ventures		(16,797)	(4,777)
Loss before taxation	6	(281,007)	(661,774)
Income tax expense	7(a)	(4,515)	(41,101)
Loss for the year		(285,522)	(702,875)
Attributable to:			
Equity shareholders of the Company		(261,364)	(675,444)
Non-controlling interests		(24,158)	(27,431)
Loss for the year		(285,522)	(702,875)
Basic and diluted loss per share (in cents)	11	(9.0)	(23.2)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 106 to 200 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 29(d).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 (Note) $'000
Loss for the year		**(285,522)**	(702,875)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements to presentation currency	10	**(272,972)**	(332,514)
Share of other comprehensive income of associates and joint ventures	10	**1,925**	(3,136)
Other comprehensive income for the year		**(271,047)**	(335,650)
Total comprehensive income for the year		**(556,569)**	(1,038,525)
Attributable to:			
Equity shareholders of the Company		**(536,781)**	(1,013,668)
Non-controlling interests		**(19,788)**	(24,857)
Total comprehensive income for the year		**(556,569)**	(1,038,525)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 106 to 200 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 (Note) $'000
Non-current assets			
Property, plant and equipment	12(a)	2,459,218	1,145,884
Interests in leasehold land held for own use	12(a)	–	1,445,512
		2,459,218	2,591,396
Goodwill	13	164,420	173,119
Interests in associates	15	49,085	49,230
Interests in joint ventures	16	200,683	199,498
Other financial assets	18	31,326	38,921
Other receivables	19	382,151	371,959
Deferred tax assets	28(b)	12,334	12,978
		3,299,217	3,437,101
Current assets			
Inventories	20(a)	31,154	23,927
Trade and other receivables	21(a)	2,645,790	158,348
Pledged and time deposits	22	956,091	672,515
Cash and cash equivalents	23(a)	160,762	3,068,456
		3,793,797	3,923,246
Current liabilities			
Trade and other payables	24	2,090,361	1,791,992
Contract liabilities	25	32,856	22,263
Interest-bearing borrowings	26	328,084	894,889
Lease liabilities	27	21,371	2,924
Income tax payables	28(a)	60,738	62,267
		2,533,410	2,774,335
Net current assets		1,260,387	1,148,911
Total assets less current liabilities		4,559,604	4,586,012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
		$'000	$'000
Non-current liabilities			
Interest-bearing borrowings	26	524,934	–
Lease liabilities	27	34,864	17,612
Deferred tax liabilities	28(b)	123,494	135,495
Other non-current liabilities		366	390
		683,658	153,497
NET ASSETS		3,875,946	4,432,515
CAPITAL AND RESERVES			
Share capital	29(b)	583,386	583,386
Reserves	29(c)	3,261,330	3,798,111
Total equity attributable to equity shareholders of the Company		3,844,716	4,381,497
Non-controlling interests		31,230	51,018
TOTAL EQUITY		3,875,946	4,432,515

Approved and authorised for issue by the board of directors on 30 June 2020.

Feng Wen
Director

Leong Kim Chuan
Director

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 106 to 200 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Merger reserve	Exchange reserve	Surplus reserve	Other reserves	Retained earnings (Note)	Total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2019 (Note)	583,386	2,368,990	21,521	54,193	24,220	99,466	(1,563,283)	2,793,004	4,381,497	51,018	4,432,515
Changes in equity for the year ended 31 March 2020:											
Loss for the year	–	–	–	–	–	–	–	(261,364)	(261,364)	(24,158)	(285,522)
Other comprehensive income	–	–	–	–	(275,417)	–	–	–	(275,417)	4,370	(271,047)
Total comprehensive income for the year	–	–	–	–	(275,417)	–	–	(261,364)	(536,781)	(19,788)	(556,569)
Transfer to surplus reserve	–	–	–	–	–	179	–	(179)	–	–	–
Balance at 31 March 2020	583,386	2,368,990	21,521	54,193	(251,197)	99,645	(1,563,283)	2,531,461	3,844,716	31,230	3,875,946

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Merger reserve	Exchange reserve	Surplus reserve	Other reserves	Retained earnings (Note)	Total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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
Changes in equity for the year ended 31 March 2019:											
Loss for the year	–	–	–	–	–	–	–	(675,444)	(675,444)	(27,431)	(702,875)
Other comprehensive income	–	–	–	–	(338,224)	–	–	–	(338,224)	2,574	(335,650)
Total comprehensive income for the year	–	–	–	–	(338,224)	–	–	(675,444)	(1,013,668)	(24,857)	(1,038,525)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	–	(2,505)	(2,505)
Transfer to surplus reserve	–	–	–	–	–	337	–	(337)	–	–	–
Balance at 31 March 2019	583,386	2,368,990	21,521	54,193	24,220	99,466	(1,563,283)	2,793,004	4,381,497	51,018	4,432,515

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 106 to 200 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 (Note) $'000
Operating activities			
Cash used in operations	23(b)	**(179,338)**	(103,698)
Income tax paid		**(3,895)**	(44,710)
Net cash used in operating activities		**(183,233)**	(148,408)
Investing activities			
Proceeds from sale of property, plant and equipment		**112**	2,684
Payments for purchase of property, plant and equipment		**(50,206)**	(44,097)
Net payments for purchase of other financial assets		**(25,990)**	–
Proceeds from disposal of other financial assets		**–**	1,950
Payments for investments in associates		**(15,600)**	–
Loans to an associate		**–**	(25,898)
Payments for investments in joint ventures		**–**	(1)
Loans and advances to joint ventures		**(8,581)**	(97,865)
Proceeds from a third party under the Fortress Settlement Agreements	17	**–**	429,000
Payments to a third party in relation to the disposal of subsidiaries	21(a)	**(2,470,908)**	–
Placement of time deposits		**(10,936)**	(29,240)
Uplift of time deposits		**28,103**	49,988
Refund of an investment deposit and interests from a third party		**–**	365,782
Dividend income from a joint venture		**43**	42
Interest income from bank deposits	5	**38,072**	16,995
Interest income from loans to joint ventures		**–**	1,208
Distribution from fund investments		**–**	6,903
Net cash (used in)/generated from investing activities		**(2,515,891)**	677,451

for the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 (Note) $'000
Financing activities			
Payments for dividends to holders of non-controlling interests		–	(2,505)
Proceeds from investment deposits from a third party		474,074	117,689
Partial refund of investment deposits to a third party		(84,378)	(150,012)
Proceeds from interest-bearing borrowings	23(c)	546,488	–
Repayments of interest-bearing borrowings	23(c)	(546,000)	(232,000)
Interests paid on interest-bearing borrowings and other charges	23(c)	(46,652)	(71,049)
Capital element of leases rentals paid	23(c)	(17,571)	(1,435)
Interest element of leases rentals paid	23(c)	(4,094)	(1,682)
Deposits pledged for interest-bearing borrowings		(348,238)	–
Uplift deposits pledged for interest-bearing borrowings		–	273,640
Net cash used in financing activities		(26,371)	(67,354)
Net (decrease)/increase in cash and cash equivalents		(2,725,495)	461,689
Cash and cash equivalents at beginning of the year		3,068,456	2,795,654
Effects of foreign exchange rates changes		(182,199)	(188,887)
Cash and cash equivalents at end of the year	23(a)	160,762	3,068,456

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 106 to 200 form part of these financial statements.

1 BACKGROUND

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

On 24 January 2011, the Company completed the listing of 90,000,000 units of Taiwan Depositary Receipts ("TDRs"), representing 90,000,000 ordinary shares of the Company of par value of $0.20 each (the "Share(s)"), comprising 60,000,000 new Shares allotted and issued by the Company and 30,000,000 Shares sold by the Company's then shareholders, on the Taiwan Stock Exchange Corporation ("Taiwan Stock Exchange").

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2020 comprise the Group and the Group's interests in associates and joint ventures.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS and a number of 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 16, *Leases*

- Amendments to HKAS 28, *Long-term interests in associates and joint ventures*

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 12(e). For an explanation of how the Group applies lessee accounting, see note 2(j)(i).

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.62%.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 31(b) as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	$'000
Operating lease commitments at 31 March 2019	59,568
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(2,120)
– leases of low-value assets	(74)
	57,374
Less: total future interest expenses	(4,785)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019	52,589
Add: finance lease liabilities recognised as at 31 March 2019	20,536
Total lease liabilities recognised at 1 April 2019	73,125

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment” and presents lease liabilities separately in the consolidated statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 $'000	Capitalisation of operating lease contracts $'000	Carrying amount at 1 April 2019 $'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	1,145,884	1,499,129	2,645,013
Interests in leasehold land held for own use	1,445,512	(1,445,512)	–
Non-current assets	**3,437,101**	**53,617**	**3,490,718**
Trade and other receivables	158,348	(1,028)	157,320
Current assets	**3,923,246**	**(1,028)**	**3,922,218**
Lease liabilities (current)	2,924	15,964	18,888
Current liabilities	**2,774,335**	**15,964**	**2,790,299**
Net current assets	**1,148,911**	**(16,992)**	**1,131,919**
Total assets less current liabilities	**4,586,012**	**36,625**	**4,622,637**
Lease liabilities (non-current)	17,612	36,625	54,237
Non-current liabilities	**153,497**	**36,625**	**190,122**
Net assets	**4,432,515**	**–**	**4,432,515**

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

c. Impact on the financial results, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 23(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated cash flow statement (see note 23(d)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results, segment results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

c. Impact on the financial results, segment results and cash flows of the Group (Continued)

	2020				2019
	Amounts reported under HKFRS 16 (A) $'000	Add back: HKFRS 16 depreciation and interest expenses (B) $'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) $'000	Hypothetical amounts for 2020 as if under HKAS 17 (D=A+B+C) $'000	Compared to amounts reported for 2019 under HKAS 17 $'000
Financial results impacted by the adoption of HKFRS 16:					
Loss from operations	(163,428)	18,451	(19,827)	(164,804)	(549,863)
Finance costs	(51,656)	2,589	–	(49,067)	(74,271)
Loss before taxation	(281,007)	21,040	(19,827)	(279,794)	(661,774)
Loss for the year	(285,522)	21,040	(19,827)	(284,309)	(702,875)
Reportable segment loss impacted by the adoption of HKFRS 16:					
– Medical devices	(14,001)	4,975	(4,503)	(13,529)	(6,988)
– Cells and tissues storage and genetic testing services	(13,308)	483	(466)	(13,291)	(7,595)
– Medical insurance administration	(26,182)	2,207	(2,119)	(26,094)	(26,565)
– Total	(182,333)	7,665	(7,088)	(181,756)	(182,121)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

c. Impact on the financial results, segment results and cash flows of the Group (Continued)

	2020			2019
	Amounts reported under HKFRS 16 (A) $'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) $'000	Hypothetical amounts for 2020 as if under HKAS 17 (C=A+B) $'000	Compared to amounts reported for 2019 under HKAS 17 $'000
Line items in the consolidated cash flow statement impacted by the adoption of HKFRS 16:				
Cash used in operations	(179,338)	(18,860)	(198,198)	(103,698)
Net cash used in operating activities	(183,233)	(18,860)	(202,093)	(148,408)
Capital element of lease rentals paid	(17,571)	16,271	(1,300)	(1,435)
Interest element of lease rentals paid	(4,094)	2,589	(1,505)	(1,682)
Net cash used in financing activities	(26,371)	18,860	(7,511)	(67,354)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash used in financing activities as if HKAS 17 still applied.

d. Lessor accounting

The Group leases out certain area of its buildings as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the "expected credit loss" ("ECL") model to such other long-term interests where applicable (see note 2(k)(i)).

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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 (see note 2(u)(vi)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Investments other than equity investments (Continued)

- Fair value through other comprehensive income ("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 ECLs, 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.

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

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable 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 the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the 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 FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(u)(v).

(h) Derivative financial instruments

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

(i) Property, plant and equipment

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

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

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

– Buildings held for own use	10–44 years
– Leasehold improvements	Shorter of the estimated useful lives and unexpired terms of the leases
– Machinery	5–10 years
– Motor vehicles	5 years
– Furniture, fixtures and equipment	3–5 years
– Right-of-use assets	Over the terms of leases

No depreciation is provided for construction in progress.

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

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1 April 2019 (Continued)

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(i) and 2(k)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

(B) Policy applicable prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

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

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(u)(iii).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(ii) As a lessor (Continued)

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on 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), contract assets as defined in HKFRS 15 (note 2(m)); and lease receivables.

Financial assets measured at fair value, including equity securities measured at FVPL 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).

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;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (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 90 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.

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);

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Significant increases in credit risk (Continued)

- 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

Interest income recognised in accordance with note 2(u)(vi) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

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.

(ii) Impairment of other non-current assets

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

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

- *Calculation of recoverable amount*

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

- *Recognition of impairment losses*

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

- *Reversals of impairment losses*

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

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

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(n)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(n)).

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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(u)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (note 2(m)).

Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (note 2(k)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(k)(i).

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (note 2(w)).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Employee benefits

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

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

(ii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

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

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

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

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

  – the same taxable entity; or

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

(t) Provisions and contingent liabilities

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

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

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Service income

Revenue is recognised according to the measure of the service rendered at the point or over the period when such benefit could be reliably measured.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Government grants

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

(v) Dividends

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

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

(vi) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)(i)).

(v) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Borrowing costs

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

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

(x) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

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

(y) Segment reporting

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

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

3 ACCOUNTING ESTIMATES AND JUDGEMENT

Notes 13 and 30(e) contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of non-current assets

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

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

(b) Fair values of financial instruments

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

3 ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

(c) Allowance for ECLs

Management estimates ECL allowance based on the Group's historical credit loss experience, included customer credit-worthiness, and historical write-off experience, and 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. If the financial conditions of the customers were to deteriorate, additional allowance may be required.

(d) Recognition of deferred tax assets

The Group has recognised deferred tax assets which arose from deductible temporary differences as set out in note 28(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

(e) Determining the lease terms

As explained in policy note 2(j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Company acts as an investment holding company and the Group is principally engaged in five main operating segments including (i) the development, 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. No operating segments have been aggregated to form the following reportable segments.

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020 $'000	2019 $'000
Revenue from contracts with customer within the scope of HKFRS 15		
Disaggregate by major products or service lines		
– Sale of medical devices and medical device accessories	147,168	142,564
– Hospital operation	84,619	79,974
– Medical insurance administration service income	5,036	7,046
– Sale of Chinese herbal medicines	8,373	5,352
– Cells and tissues storage and genetic testing services income	1,521	13,692
Revenue from other sources		
Hospital rental income	60,424	67,040
	307,141	315,668

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b). The Group's revenue derived from activities outside the People's Republic of China (the "PRC") is immaterial. Therefore, disaggregation of revenue from contracts with customers by geographical location of customers is not provided.

The Group's customer base is diversified and includes two customers (2019: one customer) with whom transactions have exceeded 10% of the Group's revenues. In the year ended 31 March 2020, revenues from these customers amounted to $95,830,000 (2019: $67,040,000). Details of concentrations of credit risk arising from the Group's largest customers are set out in note 30(a).

(ii) Total future minimum lease payments receivable by the Group

At 31 March 2020, total future minimum lease payments receivable by the Group within one year under non-cancellable operating lease in place was $37,799,000 (2019: $40,425,000).

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

The Group manages its business by divisions, which are organised by business lines (products and services). The Group has presented the following reportable segments 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. No operating segments have been aggregated to form the following reportable segments:

- Medical devices segment: the development, manufacture and sale of medical devices, including medical devices and medical device accessories.

- Hospital business 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.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible and intangible assets and current assets with the exception of deferred tax assets, other financial assets and inter-company receivables. Segment liabilities include trade payables, other payables, accruals, contract liabilities and lease liabilities attributable to the operating activities of the individual segments with the exception of interest-bearing borrowings of the Company and subsidiaries outside the PRC, deferred tax liabilities and inter-company payables.

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

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is set out below:

	Medical devices		Hospital business		Medical insurance administration		Chinese herbal medicines		Cells and tissues storage and genetic testing services		Total	
	2020	2019 (Note)	**2020**	2019 (Note)	**2020**	2019 (Note)	**2020**	2019 (Note)	**2020**	2019 (Note)	**2020**	2019 (Note)
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Disaggregated by timing of revenue recognition												
Point in time	**147,168**	142,564	**52,257**	55,423	**5,036**	7,046	**8,373**	5,352	**1,521**	13,692	**214,355**	224,077
Over-time	**–**	–	**92,786**	91,591	**–**	–	**–**	–	**–**	–	**92,786**	91,591
Reportable segment revenue	**147,168**	142,564	**145,043**	147,014	**5,036**	7,046	**8,373**	5,352	**1,521**	13,692	**307,141**	315,668
Reportable segment loss	**(14,001)**	(6,988)	**(100,005)**	(112,403)	**(26,182)**	(26,565)	**(28,837)**	(28,570)	**(13,308)**	(7,595)	**(182,333)**	(182,121)
Depreciation and amortisation charges	**10,305**	9,314	**65,792**	66,807	**10,383**	7,852	**23,842**	21,284	**3,767**	3,044	**114,089**	108,301
Impairment loss/(reversal) on trade receivables	**1,954**	571	**(247)**	232	**(652)**	1,114	**(31)**	203	**–**	–	**1,024**	2,120
Reportable segment assets	**203,752**	224,852	**2,088,004**	2,197,774	**38,441**	44,664	**543,686**	598,102	**33,234**	40,379	**2,907,117**	3,105,771
Additions to property, plant and equipment	**13,961**	15,189	**30,891**	21,011	**4,311**	503	**4,936**	1,218	**667**	3,576	**54,766**	41,497
Reportable segment liabilities	**62,676**	32,164	**292,061**	316,474	**4,836**	372	**4,494**	3,263	**1,752**	849	**365,819**	353,122

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

Revenue

	2020 $'000	2019 $'000
Reportable segment revenue/consolidated revenue	**307,141**	315,668

Loss

	2020 $'000	2019 (Note) $'000
Reportable segment loss	**(182,333)**	(182,121)
Impairment loss on other receivables	**(18,642)**	(378,843)
Finance costs	**(51,656)**	(74,271)
Changes in fair value of financial instruments at fair value through profit or loss	**(37,057)**	(13,971)
Share of losses of associates	**(12,069)**	(18,892)
Share of losses of joint ventures	**(16,797)**	(4,777)
Unallocated head office and corporate net income	**37,547**	11,101
Consolidated loss before taxation	**(281,007)**	(661,774)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

Assets and liabilities

	Note	2020 $'000	2019 (Note) $'000
Assets			
Reportable segment assets		**2,907,117**	3,105,771
Interests in associates	15	**49,085**	49,230
Interests in joint ventures	16	**200,683**	199,498
Amounts due from Sanpower	17	**382,151**	371,959
Other financial assets	18	**31,326**	38,921
Deferred tax assets	28(b)	**12,334**	12,978
Investment deposits paid by the Group	21(a)	**7,170**	7,080
Other receivables in relation to the disposal of subsidiaries	21(a)	**2,470,908**	–
Pledged deposits	22	**945,155**	643,275
Cash and cash equivalents		**50,168**	2,913,765
Unallocated head office and corporate assets		**36,917**	17,870
Consolidated total assets		**7,093,014**	7,360,347
Liabilities			
Reportable segment liabilities		**365,819**	353,122
Amounts due to PAGAC	17	**429,000**	429,000
Investment deposits received by the Group	24	**623,360**	257,325
Withholding tax in relation to the disposal of subsidiaries	24	**630,359**	674,152
Interest-bearing borrowings	26	**853,018**	894,889
Deferred tax liabilities	28(b)	**123,494**	135,495
Unallocated head office and corporate liabilities		**192,018**	183,849
Consolidated total liabilities		**3,217,068**	2,927,832

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

5 OTHER NET INCOME

Other net income comprises:

	Note	2020 $'000	2019 $'000
Interest income from bank deposits		38,072	16,995
Interest income from other receivables	17	28,834	86,478
Interest income from an investment deposit		–	642
Interest income from loans to associates and joint ventures	33(b)	11,960	8,840
Distribution from fund investments		–	6,903
Net exchange gain		33,420	23,457
Net loss on disposal of property, plant and equipment		(1,108)	(264)
Others		6,316	(4,975)
		117,494	138,076

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Note	2020 $'000	2019 (Note) $'000
Interests on interest-bearing borrowings wholly repayable within five years		47,562	72,589
Interests on lease liabilities	12(e)	4,094	1,682
		51,656	74,271

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

6 LOSS BEFORE TAXATION (Continued)

(b) Staff costs

	2020 $'000	2019 $'000
Salaries, wages and other benefits	160,292	186,744
Contributions to defined contribution retirement plans	18,738	21,412
	179,030	208,156

(c) Other items

	Note	2020 $'000	2019 $'000
Amortisation of land lease premium#	12(a)	–	36,239
Depreciation charges of#:			
– owned property, plant and equipment*	12(a)	70,221	73,026
– right-of-use assets*	12(a)	56,572	–
		126,793	73,026
Impairment losses on:			
– trade receivables	30(a)(i)	1,024	2,120
– other receivables	17	18,642	378,843
Changes in fair value of financial instruments at fair value through profit or loss:			
– other financial assets		37,057	12,373
– derivative financial assets		–	1,598
		37,057	13,971
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*#	12(e)	–	20,665
Lease payments not included in the measurement of lease liabilities	12(e)	3,681	–
Auditor's remuneration			
– audit services		7,350	8,321
– other services		–	6,144
Research and development costs (other than depreciation and amortisation costs)		9,951	11,586
Cost of inventories#	20(b)	94,479	96,645

6 LOSS BEFORE TAXATION (Continued)

(c) Other items (Continued)

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-to-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease terms. Under this approach, the comparative information is not restated. See note 2(c).

\# During the year ended 31 March 2020, cost of inventories includes $23,040,000 (2019: $29,505,000) relating to staff costs, depreciation and amortisation expenses and lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Note	2020 $'000	2019 $'000
Current tax			
Provision for the year		8,040	42,452
(Over)/under-provision in respect of prior years		(352)	603
	28(a)	7,688	43,055
Deferred tax			
Origination and reversal of temporary differences	28(b)(i)	(3,173)	(1,954)
Total income tax expense		4,515	41,101

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

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

	2020 $'000	2019 $'000
Loss before taxation	**(281,007)**	(661,774)
Notional taxation on loss before taxation, calculated at the rates applicable to loss in the related jurisdictions concerned	**(51,688)**	(65,885)
Tax effect of non-deductible expenses	**9,792**	9,959
Tax effect of non-taxable gains	**(7,496)**	(15,129)
(Over)/under-provision in respect of prior years	**(352)**	603
Reduced tax rate approved by tax authorities	**(1,418)**	(2,595)
Unused tax losses not recognised	**55,893**	74,372
Effect of withholding tax on interest income	**2,316**	1,854
Effect of using the deductible losses for which no deferred tax asset was recognised in previous periods	**(2,532)**	–
Effect of withholding tax on profit distributions	**–**	37,922
Actual tax expense	**4,515**	41,101

(c) PRC CIT

The Group's subsidiaries in the PRC are subject to the PRC CIT. On 16 March 2007, the PRC government enacted the new Corporate Income Tax Law ("CIT Law"), which unified the income tax rate to 25% for all companies registered and incorporated in the PRC. Accordingly, except for Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing"), all other PRC subsidiaries of the Group are subject to income tax at 25% for the years ended 31 March 2020 and 2019.

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 obtained the latest certificate of HNTE in October 2017, and is subject to income tax at 15% for the calendar years from 2017 to 2019. Jingjing is in the process of renew for its HNTE certificate which, upon approval, will enable it to continue to enjoy the preferential income tax rate of 15% for the calendar years from 2020 to 2022. Income tax expense of Jingjing for the years ended 31 March 2020 and 2019 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%.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(d) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2020 and 2019 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

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

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

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

8 DIRECTORS' EMOLUMENTS

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

	2020			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions (i) $'000	Total $'000
Executive directors				
Mr. FENG Wen ("Mr. Feng") (ii)	–	1,300	1,018	2,318
Mr. LEONG Kim Chuan (ii)	–	2,700	872	3,572
Mr. KAM Yuen ("Mr. Kam") (ii)	–	384	151	535
Mr. KONG Kam Yu ("Mr. Kong") (ii)	–	418	151	569
Non-executive director				
Ms. ZHENG Ting (ii)	57	–	15	72
Independent non-executive directors				
Mr. GAO Yue	60	–	100	160
Mr. POON Tsz Hang (ii)	45	–	86	131
Mr. Daniel FOA	200	–	100	300
Prof. CAO Gang (ii)	14	–	15	29
Prof. GU Qiao (ii)	14	–	15	29
	390	4,802	2,523	7,715

8 DIRECTORS' EMOLUMENTS (Continued)

	2019				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions (i) $'000	Total $'000
Executive directors					
Mr. Kam	–	2,600	16,000	1,018	19,618
Mr. Kong	–	2,836	8,000	1,018	11,854
Mr. Feng	–	1,217	300	956	2,473
Non-executive director					
Ms. ZHENG Ting	390	–	–	100	490
Independent non-executive directors					
Prof. CAO Gang	60	–	600	100	760
Mr. GAO Yue	60	–	300	100	460
Prof. GU Qiao	60	–	600	100	760
Mr. Daniel FOA	200	–	300	100	600
	770	6,653	26,100	3,492	37,015

Notes:

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

(ii) On 24 May 2019, Mr. Kam has resigned as the Chairman of the board of directors and an executive director, Mr Kong has resigned as an executive director, Ms. ZHENG Ting has resigned as a non-executive director, Prof. CAO Gang and Prof. GU Qiao have resigned as independent non-executive directors; Mr. Feng has been appointed as the Chairman in replacement of Mr. Kam, Mr. LEONG Kim Chuan has been appointed as an executive director, and Mr. POON Tsz Hang has been appointed as an independent non-executive director.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: three) are the directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2019: two) individuals is as follows:

	2020 $'000	2019 $'000
Salaries and other emoluments	5,444	5,736
Discretionary bonuses	199	2,000
Retirement scheme contributions	–	18
	5,643	7,754

The emoluments of the three (2019: two) individuals with the highest emoluments are within the following bands:

	Number of individuals 2020	 2019
Emoluments bands		
$1,000,001 to $2,000,000	2	–
$2,000,001 to $3,000,000	1	1
$3,000,001 to $5,000,000	–	–
$5,000,001 to $6,000,000	–	1
	3	2

10 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including reclassification adjustments:

	2020 $'000	2019 $'000
Exchange reserve:		
Exchange differences on translation of financial statements to presentation currency	(272,972)	(332,514)
Share of other comprehensive income of associates and joint ventures	1,925	(3,136)
Less: Income tax expense	—	—
Net movement in exchange reserve during the year recognised in other comprehensive income	(271,047)	(335,650)

11 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the consolidated loss attributable to equity shareholders of the Company of $261,364,000 (2019: $675,444,000) and 2,916,932,000 Shares (2019: 2,916,932,000 Shares) in issue during the year.

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings held for own use $'000	Leasehold improvements $'000	Machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Construction in progress $'000	Right-of-use assets $'000	Sub-total $'000	Interests in leasehold land held for own use $'000	Total $'000
Cost:										
At 31 March 2019	1,249,185	59,182	286,068	28,481	99,315	45,336	–	1,767,567	1,734,498	3,502,065
Impact on initial application of HKFRS 16 (Note)	–	–	(23,055)	–	–	–	1,811,170	1,788,115	(1,734,498)	53,617
At 1 April 2019	1,249,185	59,182	263,013	28,481	99,315	45,336	1,811,170	3,555,682	–	3,555,682
Exchange adjustments	(78,908)	(4,992)	(15,080)	(1,065)	(5,282)	(2,420)	(52,318)	(160,065)	–	(160,065)
Additions	–	23,051	11,832	1,204	4,608	10,897	3,213	54,805	–	54,805
Transfer from construction in progress	3,283	31,205	375	–	–	(34,863)	–	–	–	–
Disposals	–	(93)	(4,645)	(451)	(14,253)	–	–	(19,442)	–	(19,442)
At 31 March 2020	1,173,560	108,353	255,495	28,169	84,388	18,950	1,762,065	3,430,980	–	3,430,980
Accumulated amortisation and depreciation:										
At 31 March 2019	283,997	51,901	174,316	22,834	85,972	–	–	619,020	288,986	908,006
Impact on initial application of HKFRS 16 (Note)	–	–	(6,748)	–	–	–	295,734	288,986	(288,986)	–
At 1 April 2019	283,997	51,901	167,568	22,834	85,972	–	295,734	908,006	–	908,006
Exchange adjustments	(19,260)	(3,241)	(9,289)	(727)	(5,291)	–	(9,497)	(47,305)	–	(47,305)
Charge for the year	36,506	4,006	21,500	1,509	6,700	–	56,572	126,793	–	126,793
Written back on disposals	–	(89)	(3,429)	(451)	(14,253)	–	–	(18,222)	–	(18,222)
At 31 March 2020	301,243	52,577	176,350	23,165	73,128	–	342,809	969,272	–	969,272
Impairment loss:										
At 1 April 2019	–	–	–	–	–	2,663	–	2,663	–	2,663
Exchange adjustments	–	–	–	–	–	(173)	–	(173)	–	(173)
At 31 March 2020	–	–	–	–	–	2,490	–	2,490	–	2,490
Net book value:										
At 31 March 2020	872,317	55,776	79,145	5,004	11,260	16,460	1,419,256	2,459,218	–	2,459,218

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 2(c).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

	Buildings held for own use $'000	Leasehold improvements $'000	Machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Construction in progress $'000	Sub-total $'000	Interests in leasehold land held for own use $'000	Total $'000
Cost:									
At 1 April 2018	1,310,338	62,917	293,188	28,081	106,173	45,231	1,845,928	1,786,667	3,632,595
Exchange adjustments	(82,163)	(3,814)	(16,642)	(933)	(5,912)	(2,872)	(112,336)	(52,169)	(164,505)
Additions	1,505	79	9,603	2,528	4,128	23,792	41,635	–	41,635
Transfer from construction in progress	19,505	–	1,310	–	–	(20,815)	–	–	–
Disposals	–	–	(1,391)	(1,195)	(5,074)	–	(7,660)	–	(7,660)
At 31 March 2019	1,249,185	59,182	286,068	28,481	99,315	45,336	1,767,567	1,734,498	3,502,065
Accumulated amortisation and depreciation:									
At 1 April 2018	266,109	54,312	151,509	23,537	89,382	–	584,849	259,755	844,604
Exchange adjustments	(16,987)	(3,287)	(7,992)	(741)	(5,136)	–	(34,143)	(7,008)	(41,151)
Charge for the year	34,875	876	32,187	1,187	3,901	–	73,026	36,239	109,265
Written back on disposals	–	–	(1,388)	(1,149)	(2,175)	–	(4,712)	–	(4,712)
At 31 March 2019	283,997	51,901	174,316	22,834	85,972	–	619,020	288,986	908,006
Impairment loss:									
At 1 April 2018	–	–	–	–	–	2,845	2,845	–	2,845
Exchange adjustments	–	–	–	–	–	(182)	(182)	–	(182)
At 31 March 2019	–	–	–	–	–	2,663	2,663	–	2,663
Net book value:									
At 31 March 2019	965,188	7,281	111,752	5,647	13,343	42,673	1,145,884	1,445,512	2,591,396

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) At 31 March 2020, the Group was in the process of obtaining property ownership certificates for buildings in Beijing with an aggregate carrying amount of $782,134,000 (2019: $858,814,000).

(c) At 31 March 2019, the Group had pledged interests in leasehold land with an aggregate carrying amount of $583,303,000 as collateral against certain loans granted to the Group by a bank (note 26).

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

	2020 $'000	2019 $'000
Outside Hong Kong — medium-term lease	**2,240,689**	2,410,700
Representing:		
Buildings held for own use	**872,317**	965,188
Interests in leasehold land held for own use	**—**	1,445,512
Right-of-use assets	**1,368,372**	—
	2,240,689	2,410,700

(e) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	Note	31 March 2020 $'000	1 April 2019 $'000
Interests in leasehold land held for own use	(i)	**1,368,372**	1,445,512
Other properties leased for own use	(ii)	**37,214**	53,617
Machinery	(iii)	**13,670**	16,307
		1,419,256	1,515,436

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

(e) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Note	2020 $'000	2019 (Note) $'000
Depreciation charge of right-of-use assets by class of underlying assets:			
Interests in leasehold land held for own use		**36,503**	36,239
Other properties leased for own use		**18,451**	–
Machinery		**1,618**	1,685
		56,572	37,924
Interests on lease liabilities	6(a)	**4,094**	1,682
Expense relating to short-term leases and other leases with remaining lease terms ending on or before 31 March 2020, and leases of low-valued assets	6(c)	**3,681**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	6(c)	**–**	20,665

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

During the year, addition to right-of-use assets were $3,213,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 23(d) and 27, respectively.

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

(e) Right-of-use assets (Continued)

(i) Interests in leasehold land held for own use

The Group has obtained land use rights in the PRC where certain manufacturing facilities are located. The land use rights are typically granted for 30 to 50 years, on the expiry of which the land reverts back to the PRC state. The payment for leasing the land is normally made in full at the start of the land use rights period.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office buildings through tenancy agreements. The leases typically run for an initial period of 1 to 5 years. None of the leases includes variable lease payments.

(iii) Machinery

The Group has obtained the right to use machinery formerly classified as finance lease asset. The agreed-upon leasing period is 15 years and no variable lease payments included.

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

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

13 GOODWILL

Movements of goodwill during the year are as follows:

	$'000
Cost:	
At 1 April 2018	509,211
Exchange adjustments	(30,125)
At 31 March 2019 and 1 April 2019	**479,086**
Exchange adjustments	**(28,575)**
At 31 March 2020	**450,511**
Accumulated impairment loss:	
At 1 April 2018	(326,920)
Exchange adjustments	20,953
At 31 March 2019 and 1 April 2019	**(305,967)**
Exchange adjustments	**19,876**
At 31 March 2020	**(286,091)**
Carrying amount:	
At 31 March 2019	173,119
At 31 March 2020	**164,420**

13 GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill

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

	2020 $'000	2019 $'000
Medical devices	506	506
Hospital management	125,221	133,920
Hospital operation	38,693	38,693
	164,420	173,119

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

Key assumptions used for value-in-use calculations:

	2020 %	2019 %
Average gross margin		
Medical devices	66.5	65.7
Hospital management	29.4	47.0
Hospital operation	39.2	39.0
Growth rate		
Medical devices	3.0	3.0
Hospital management	2.0	3.0
Hospital operation	2.0	2.0
Discount rate		
Medical devices	11.0	16.2
Hospital management	12.7	12.5
Hospital operation	12.7	12.0

13 GOODWILL (Continued)

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

In accordance with the Group's accounting policies, the recoverable amount of each CGU is the greater of its fair value less costs of disposal and value in use. The valuation method of fair value less costs of disposal was not adopted for the Group's businesses because there was no reasonable basis for making a reliable estimate of the price at which an orderly transaction to sell the relevant CGUs would take place between market participants at the measurement date under the then prevailing current market condition. Instead, the valuation method of discounted cash flow was adopted for determining the recoverable amount of the relevant CGUs, which had been consistently applied in the valuation on the CGUs. The Group did not engage an external party to perform the valuation on the CGUs in the years ended 31 March 2020 and 2019.

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

As at 31 March 2020 and 2019, the recoverable amounts of the CGUs are higher than their carrying amounts based on value-in-use calculations. Accordingly, no impairment on goodwill was recognised in the consolidated income statement for the years ended 31 March 2020 and 2019.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTERESTS IN SUBSIDIARIES

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

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

14 INTERESTS IN SUBSIDIARIES (Continued)

Notes:

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

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

(iii) These subsidiaries are PRC domestic enterprises.

(iv) Foreign exchange control regulations in PRC impose restrictions on fund flows between subsidiaries located in the PRC and other entities within the Group.

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

	2020			
	SEIMC $'000	Qinghe Hospital and Sunbow Hospital $'000	Other individually immaterial subsidiaries $'000	Total $'000
NCI percentage	44.00%	17.27%		
Non-current assets	56,896	1,656,170		
Current assets	31,692	178,750		
Current liabilities	(21,245)	(1,428,443)		
Non-current liabilities	–	(15,200)		
Net assets	67,343	391,277		
Carrying amount of NCI	29,631	67,574	(65,975)	31,230
Revenue	44,695	100,348		
Profit/(loss) for the year	564	(89,382)		
Total comprehensive income	(4,091)	(64,183)		
Profit/(loss) allocated to NCI	248	(15,436)	(8,970)	(24,158)
Cash flows used in operating activities	(152)	(49,576)		
Cash flows generated from investing activities	540	17,862		
Cash flows generated from financing activities	–	17,528		

14 INTERESTS IN SUBSIDIARIES (Continued)

	2019			
	SEIMC $'000	Qinghe Hospital and Sunbow Hospital $'000	Other individually immaterial subsidiaries $'000	Total $'000
NCI percentage	44.00%	17.27%		
Non-current assets	43,576	1,757,684		
Current assets	44,684	172,330		
Current liabilities	(16,826)	(1,456,942)		
Non-current liabilities	—	(17,612)		
Net assets	71,434	455,460		
Carrying amount of NCI	31,431	78,658	(59,071)	51,018
Revenue	49,159	97,855		
Profit/(loss) for the year	6,012	(118,210)		
Total comprehensive income	1,424	(99,576)		
Profit/(loss) allocated to NCI	2,645	(20,414)	(9,662)	(27,431)
Dividend paid to NCI	(2,505)	—	—	(2,505)
Cash flows generated from/(used in) operating activities	6,731	(64,241)		
Cash flows (used in)/generated from investing activities	(6,565)	27,327		
Cash flows (used in)/generated from financing activities	(5,432)	44,375		

15 INTERESTS IN ASSOCIATES

Interests in associates comprise:

	Note	2020 $'000	2019 $'000
Investment in Cellenkos Inc. ("Cellenkos")	I	**22,863**	17,505
Investment in Life Corporation Limited ("LFC")	II	**—**	—
Investment in Life Corporation Services (S) Pte. Ltd. ("LCS")	II	**—**	—
Amounts due from LCS	III	**26,222**	31,725
		49,085	49,230

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Cellenkos	Incorporated	United States (the "US")	US$796	22.74%	22.74%	—	Research and development of stem cells therapies
LCS	Incorporated	Singapore	SDG3,000,000	50.23%	—	50.23%	Provision of funeral services

Note I: On 15 September 2016, the Company entered into several agreements in relation to the investment in Cellenkos, pursuant to which, (i) the Company agreed to subscribe for 1,300,000 shares of Cellenkos, representing approximately 17.45% issued share capital of Cellenkos, at a consideration of approximately US$5,098,000 (equivalent to approximately $39,764,000); and (ii) the Company was granted a warrant (the "Cellenkos Warrant") issued by Cellenkos to subscribe for a maximum of 1,300,000 shares of Cellenkos at an exercise price of US$3.921569 per share, same as the initial investment price, within two years from the issuance date.

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

On 15 March 2019, 15 May 2019 and 15 July 2019, amendments to stock purchase warrant were entered into between Cellenkos and the Company, pursuant to which, the expiration date of the Cellenkos Warrant was extended to the 32 months, 34 months and 48 months from the issuance date, respectively.

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

15 INTERESTS IN ASSOCIATES (Continued)

Note I: (Continued)

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

	Investment in Cellenkos $'000
As at 1 April 2019	**17,505**
Share of losses of Cellenkos	**(10,242)**
Exercise warrant to purchase common stock	**15,600**
As at 31 March 2020	**22,863**

On 3 April 2019 and 13 January 2020, the Company elected to purchase 510,000 shares of Cellenkos in total, pursuant to the terms of the Cellenkos Warrant and tendered herewith payment of the purchase price in full of US$2,000,000 (equivalent to approximately $15,600,000).

Note II: The Group previously held 19.76% equity interest in LFC and the convertible notes with a principal amount of Singapore Dollars ("SGD") 3,000,000 issued by LFC (the "GM Debt") with a maturity date of 30 July 2019, at an conversion price of Australian Dollars ("AUD") 0.16 per ordinary share of LFC. LFC was previously listed on the Australian Securities Exchange ("ASX") and issued another convertible notes with a principal amount of SGD3,000,000 (the "Northeast Debt") to Northeast Capital Pte Ltd. ("Northeast"), an independent third party.

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

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

Subsequent to the debt capitalisation, LFC undertaken certain equity transactions and then delisted its shares from the ASX. Upon completion of the abovementioned transactions and as at 31 March 2019, the Group's shareholding in LFC was approximately 50.23%.

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

15 INTERESTS IN ASSOCIATES (Continued)

Note II: (Continued)

On 24 June 2019, a resolution was passed at the annual general meeting of LFC, which approved the equal access reduction of LFC by a demerger (in species) distribution of all the issued shares in LCS on a pro rata basis to all existing shareholders of LFC. As a result, the Group obtained 50.23% of the shareholding in LCS. Pursuant to the consolidated constitution of LCS, the board of directors of LCS has the highest power over the business of LCS, which contains one ex-director from the Group, one director from Northeast and an independent director. Resolution made by the board of directors of LCS are decided by a majority of votes of directors. As a result, management determined that LCS is an associate of the Group.

On 6 August 2019, GM Investment agreed to subscribe for the convertible note issued by LCS (the "LCS Convertible Note"), in the principal amount of SGD5,800,000 at the interest rate of 11% per annum compounded annually for a term of 3 years. LCS Convertible Note is convertible into new LCS shares at the conversion price, being the net assets value per LCS share at each conversion date. As at 31 March 2020, the Group has subscribed for SGD5,400,000 (equivalent to approximately $30,706,000) LCS Convertible Note, of which SGD800,000 (equivalent to approximately $4,538,000) was used to settle part of the outstanding loan borrowed by LCS.

Movements of the investment in LFC/LCS are set out as below:

	Investment in LFC/LCS $'000	LCS Convertible Note (Note 18) $'000	Total $'000
As at 1 April 2019	31,725	–	31,725
Exchange adjustments	(2,043)	(1,375)	(3,418)
Share of losses of LFC/LCS	(1,827)	–	(1,827)
Share of other comprehensive income of LFC/LCS	380	–	380
Interest income from loans to LCS	2,837	–	2,837
Repayment of loans to LCS	(4,850)	–	(4,850)
Subscription of LCS Convertible Note	–	30,706	30,706
Changes in fair value of financial instruments at fair value through profit or loss	–	1,864	1,864
As at 31 March 2020	26,222	31,195	57,417

Subsequently on 29 April 2020, the Company subscribed the remaining SGD400,000 (equivalent to approximately $2,200,000) LCS Convertible Note.

Note III: As at 31 March 2020, the amounts included loans to LCS with an aggregate principal amount of SGD5,000,000 (equivalent to approximately $27,224,000) (2019: SGD5,800,000 (equivalent to approximately $33,585,000)) at an interest rate of 9% p.a. for a term of 3 years expiring on 5 November 2020. The loan is guaranteed by certain guarantors including Mr. Kong. The provision of the loan facility is to finance the on-going development of the automated columbarium business in Singapore. Management considered that such loans to LCS, in substance, form part of the Group's net investment in LCS. During the year ended 31 March 2020, share of losses of LCS recognised using the equity method in excess of the Group's equity investment in LCS were applied to such loans.

Cellenkos, LFC and LCS are unlisted entities and do not have quoted market price for valuation as at 31 March 2020 and 2019.

15 INTERESTS IN ASSOCIATES (Continued)

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

	Cellenkos		LCS	LFC
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Gross amounts				
Non-current assets	**56,245**	73,108	**106,923**	56,446
Current assets	**11,117**	28,502	**9,645**	6,649
Current liabilities	**(840)**	(1,291)	**(72,281)**	(23,152)
Non-current liabilities	**–**	–	**(58,458)**	(51,233)
Net assets/(liabilities)	**66,522**	100,319	**(14,171)**	(11,290)
Revenue	**–**	–	**15,753**	19,317
Loss for the year	**(49,396)**	(48,834)	**(3,637)**	(20,645)
Other comprehensive income	**–**	–	**756**	(368)
Total comprehensive income	**(49,396)**	(48,834)	**(2,881)**	(21,013)
Reconciled to the Group's interests in associates				
Gross amounts of net assets/ (liabilities) of associates	**66,522**	100,319	**(14,171)**	(11,290)
Group's effective interest	**22.74%**	17.45%	**50.23%**	50.23%
Group's share of net assets/ (liabilities) of associates	**15,127**	17,505	**(7,118)**	(5,671)
Goodwill	**7,736**	–	**2,067**	2,067
Amounts due from LCS	**–**	–	**31,273**	35,329
Carrying amount in the consolidated financial statements	**22,863**	17,505	**26,222**	31,725

16 INTERESTS IN JOINT VENTURES

Interests in joint ventures comprise:

	Note	2020 $'000	2019 $'000
Investment in Golden Meditech Javadi Precision Medicine Limited ("GM Javadi")	I	–	–
Investment in KINKA Asset Management Co., Ltd. ("KINKA", formerly known as "ASA")	II	30,923	32,048
Investment in Seragaki Okinawa Joint Venture Limited ("SOJV")	III	–	–
Amounts due from joint ventures	IV	169,760	167,450
		200,683	199,498

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

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activity
GM Javadi	Incorporated	Cayman Islands/the US	US$1,000,000	40.0%	–	40.0%	Operation of precision medicine clinic
KINKA	Incorporated	Japan	JPY70,000,000	50.0%	–	50.0%	Real estate asset management and arrangement services
SOJV	Incorporated	Hong Kong/Japan	$1,000	50.0%	–	50.0%	Development of real estate

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

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

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

16 INTERESTS IN JOINT VENTURES (Continued)

Note III: During the year ended 31 March 2019, SOJV was jointly formed by GM Investment and Magnum Opus with 50% equity interest in SOJV each.

Note IV: As at 31 March 2020, the amounts included:

(i) a loan to a subsidiary of GM Javadi with a principal of US$8,229,000 (equivalent to approximately $64,186,000) (2019: US$8,229,000 (equivalent to approximately $64,186,000)) for a period of 5 years expiring on 11 January 2022, at an interest rate charged at the United States prime rate. The loan is pledged by certain land and building held by the said subsidiary of GM Javadi. The loan is measured at amortised cost method;

(ii) advances to a subsidiary of GM Javadi of US$4,400,000 (equivalent to approximately $34,320,000) (2019: US$3,300,000 (equivalent to approximately $25,740,000)) which were repayable on demand. Management considered that such advances to the subsidiary of GM Javadi, in substance, form part of the Group's net investment in GM Javadi. During the years ended 31 March 2020 and 2019, share of losses of GM Javadi recognised using the equity method in excess of the Group's equity investment in GM Javadi were applied to the said advances; and

(iii) a loan to SOJV with a principal of JPY1,200,000,000 (equivalent to approximately $86,040,000) (2019: JPY1,200,000,000 (equivalent to approximately $84,960,000)) for a period of 5 years expiring on 13 August 2023, at an interest rate of 5% p.a.. The loan is measured at amortised cost method. Management considered that such loan to SOJV, in substance, forms part of the Group's net investment in SOJV. During the years ended 31 March 2020 and 2019, share of losses of SOJV recognised using the equity method in excess of the Group's equity investment in SOJV were applied to such loan.

GM Javadi, KINKA and SOJV are all unlisted entities and did not have quoted market price for valuation as at 31 March 2020 and 2019.

16 INTERESTS IN JOINT VENTURES (Continued)

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

	GM Javadi		KINKA		SOJV	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Gross amounts						
Non-current assets	**66,473**	67,250	**5,268**	2,985	**260,707**	257,501
Current assets	**3,394**	1,687	**9,550**	14,739	**8,820**	19,464
Current liabilities	**(42,946)**	(31,147)	**(1,730)**	(2,386)	**(913)**	(865)
Non-current liabilities	**(64,186)**	(64,186)	**–**	–	**(293,632)**	(281,450)
Net (liabilities)/assets	**(37,265)**	(26,396)	**13,088**	15,338	**(25,018)**	(5,350)
Included in the above assets and liabilities:						
Cash and cash equivalents	**3,282**	1,272	**6,346**	12,156	**8,567**	13,191
Current financial liabilities – due to the Group	**(41,310)**	(29,368)	**–**	–	**(38)**	(37)
Non-current financial liabilities – due to the Group	**–**	–	**–**	–	**(5,601)**	(2,132)
Non-current financial liabilities – loan due to the Group	**(64,186)**	(64,186)	**–**	–	**(86,040)**	(84,960)
Revenue	**10,690**	8,688	**13,871**	16,292	**–**	–
(Loss)/profit for the year	**(10,869)**	(14,340)	**(2,150)**	1,760	**(22,750)**	158
Other comprehensive income	**–**	–	**8**	(394)	**3,082**	(5,508)
Total comprehensive income	**(10,869)**	(14,340)	**(2,142)**	1,366	**(19,668)**	(5,350)
Dividend declared by joint ventures	**–**	–	**108**	106	**–**	–
Included in the above (loss)/profit:						
Depreciation and amortisation charges	**1,408**	1,284	**–**	–	**–**	–
Interest expenses	**3,224**	3,303	**–**	–	**10,786**	–
Reconciled to the Group's interests in joint ventures						
Gross amounts of net (liabilities)/assets of joint ventures	**(37,265)**	(26,396)	**13,088**	15,338	**(25,018)**	(5,350)
Group's effective interest	**40.0%**	40.0%	**50.0%**	50.0%	**50.0%**	50.0%
Group's share of net (liabilities)/assets of joint ventures	**(14,906)**	(10,558)	**6,544**	7,669	**(12,509)**	(2,675)
Goodwill	**–**	–	**24,379**	24,379	**–**	–
Amounts due from joint ventures	**105,496**	93,554	**–**	–	**91,679**	87,129
Carrying amount in the consolidated financial statements	**90,590**	82,996	**30,923**	32,048	**79,170**	84,454

17 INVESTMENT IN FORTRESS GROUP LIMITED

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

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

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

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

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

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

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

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

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

17 INVESTMENT IN FORTRESS GROUP LIMITED (Continued)

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

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

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

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

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

Since the year ended 31 March 2019, Sanpower has been facing credit crunch and received unanimous support from creditors to resolve its current difficulties. Sanpower failed to repay the fourth and fifth instalments to the Group amounting to US$110,000,000 (equivalent to approximately $858,000,000). The Group does not hold any collaterals against this outstanding balance. In March 2019, the Group issued a demand letter to each of Sanpower and Mr. Yuan, the guarantor of Sanpower under the settlement agreement, demanding the settlement of the fourth instalment by 31 March 2019. As at the date of this annual report, the Group has not received any response from Sanpower nor Mr. Yuan. The Group expects the remaining two instalments due from Sanpower will be settled in July 2021.

17 INVESTMENT IN FORTRESS GROUP LIMITED (Continued)

The receivables due from Sanpower was credit-impaired since the year ended 31 March 2019 and loss allowance equals to lifetime ECLs have been recognised for the years ended 31 March 2020 and 2019.

The estimate of ECLs reflects an unbiased and probability-weighted amount, depending on the Group's expectation of collection plans. The Group also considers observable market information and forward-looking information specific to Sanpower, including its external credit ratings and credit loss experience in the market due to defaults of Sanpower.

The amount due to PAGAC of $429,000,000 was due in July 2018 and has yet to be paid to PAGAC as at 31 March 2020.

Movement of amounts due from Sanpower and amounts due to PAGAC during the year are as below:

		2020		2019	
	Note	Amounts due from Sanpower $'000	Amounts due to PAGAC $'000	Amounts due from Sanpower $'000	Amounts due to PAGAC $'000
At beginning of the year		371,959	(429,000)	1,093,324	(429,000)
Interest income	5	28,834	–	86,478	–
Impairment loss	6(c)	(18,642)	–	(378,843)	–
Settlements		–	–	(429,000)	–
At end of the year		382,151	(429,000)	371,959	(429,000)
Representing:					
Current portion	24	–	(429,000)	–	(429,000)
Non-current portion	19	382,151	–	371,959	–
		382,151	(429,000)	371,959	(429,000)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 OTHER FINANCIAL ASSETS

Other financial assets measured at FVPL comprise:

	Note	2020 $'000	2019 $'000
Fund investments		–	29,560
Unlisted equity securities outside Hong Kong		131	9,361
Convertible notes issued by an associate	15	31,195	–
		31,326	38,921

19 NON-CURRENT OTHER RECEIVABLES

Non-current other receivables comprise:

	Note	2020 $'000	2019 $'000
Amounts due from Sanpower	17	382,151	371,959

20 INVENTORIES

(a) Inventories comprise:

	2020 $'000	2019 $'000
Raw materials	6,967	5,273
Work in progress	13,683	13,730
Finished goods	10,504	4,924
	31,154	23,927

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

	Note	2020 $'000	2019 $'000
Carrying amount of inventories sold and consumed	6(c)	94,479	96,645

21 TRADE AND OTHER RECEIVABLES

(a) Trade and other receivables comprise:

	Note	2020 $'000	2019 $'000
Trade receivables		**39,884**	48,787
Less: Allowance for doubtful debts	30(a)(i)	**(4,199)**	(3,329)
		35,685	45,458
Prepayments and other deposits		**8,167**	7,236
Investment deposit	(i)	**7,170**	7,080
Other receivables in relation to the disposal of subsidiaries	(ii)	**2,470,908**	–
Income tax recoverable	28(a)	**–**	2,412
Other receivables		**123,860**	96,162
		2,645,790	158,348

(i) As at 31 March 2020, investment deposit represented a refundable deposit for the Group's proposed acquisition of a property located in Japan amounting to JPY100,000,000 (equivalent to approximately $7,170,000) (2019: JPY100,000,000 (equivalent to approximately $7,080,000)).

(ii) On 30 December 2016, Golden Meditech Stem Cells (BVI) Company Limited ("GMSC"), a wholly-owned subsidiary of the Company, and the Company entered into a conditional sale and purchase agreement (the "Agreement") with Nanjing Ying Peng Hui Kang Medical Industry Investment Partnership (Limited Partnership) ("Nanjing Ying Peng"), pursuant to which, GMSC conditionally agreed to sell and Nanjing Ying Peng conditionally agreed to acquire 65.4% ordinary shares of Global Cord Blood Corporation ("GCBC") (the "GCBC Shares") at a consideration of RMB5,764,000,000 ("Consideration"). During the year ended 31 March 2018, the disposal of GCBC was completed. Details of the disposal of GCBC Shares have been disclosed in the annual report of the Company for the year ended 31 March 2018.

During the year ended 31 March 2020, the Group carried out the procedures regarding offshore remittance in accordance with relevant clauses of the Agreement, resulting in the other receivables of RMB2,259,398,000 (equivalent to approximately $2,470,908,000) at 31 March 2020. Such procedures are expected to be completed and the other receivables are expected to be received within one year.

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

21 TRADE AND OTHER RECEIVABLES (continued)

(b) Ageing analysis

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

	2020 $'000	2019 $'000
Neither past due nor impaired	18,846	29,305
Past due (net of allowance for doubtful debts)		
Within six months	14,295	13,025
Between seven and twelve months	2,544	3,128
	16,839	16,153
	35,685	45,458

The Group's credit policy is set out in note 30(a).

22 PLEDGED AND TIME DEPOSITS

Pledged and time deposits comprise:

	Note	2020 $'000	2019 $'000
Time deposits with original maturities over three months		10,936	29,240
Pledged deposits	(i)	945,155	643,275
		956,091	672,515

(i) The balance represented bank deposits of $945,155,000 (2019: $643,275,000), which were pledged for certain interest-bearing borrowings (note 26).

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2020 $'000	2019 $'000
Cash and cash equivalents in the consolidated statement of financial position and cash flow statement	160,762	3,068,456

23 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of loss before taxation to cash used in operations:

	Note	2020 $'000	2019 (Note) $'000
Loss before taxation		**(281,007)**	(661,774)
Adjustments for:			
Impairment loss on trade receivables	6(c)	**1,024**	2,120
Impairment loss on other receivables	6(c)	**18,642**	378,843
Depreciation of property, plant and equipment	6(c)	**126,793**	73,026
Amortisation of land lease premium	6(c)	**–**	36,239
Interest income from bank deposits	5	**(38,072)**	(16,995)
Interest income from other receivables	5	**(28,834)**	(86,478)
Interest income from an investment deposit	5	**–**	(642)
Interest income from loans to associates and joint ventures	5	**(11,960)**	(8,840)
Distribution from fund investments	5	**–**	(6,903)
Net loss on disposal of property, plant and equipment	5	**1,108**	264
Dividend income from a joint venture		**–**	(54)
Finance costs	6(a)	**51,656**	74,271
Changes in fair value of financial instruments at fair value through profit or loss	6(c)	**37,057**	13,971
Share of losses of associates		**12,069**	18,892
Share of losses of joint ventures		**16,797**	4,777
Exchange gain		**(44,348)**	(24,029)
Effects of foreign exchange rates		**(539)**	(6,659)
Operating loss before changes in working capital		**(139,614)**	(209,971)
Increase in trade and other receivables		**(27,796)**	(45,162)
(Increase)/decrease in inventories		**(8,781)**	6,352
(Decrease)/increase in trade and other payables		**(14,651)**	148,619
Increase/(decrease) in contract liabilities		**11,504**	(3,536)
Cash used in operations		**(179,338)**	(103,698)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. During the year ended 31 March 2019, cash payments under operating leases made by the Group as a lessee of $20,665,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 23(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

23 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities:

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

	Interest-bearing borrowings (note 26) $'000	Other payables $'000	Lease liabilities (note 27) $'000	Total $'000
At 31 March 2019	894,889	2,315	20,536	917,740
Impact on initial application of HKFRS 16 (Note)	–	–	52,589	52,589
At 1 April 2019	894,889	2,315	73,125	970,329
Exchange adjustments	–	–	(2,532)	(2,532)
Changes from financing cash flows:				
Proceeds from interest-bearing borrowings	546,488	–	–	546,488
Repayments of interest-bearing borrowings	(546,000)	–	–	(546,000)
Interests paid on interest-bearing borrowings and other charges	–	(46,652)	–	(46,652)
Capital element of leases rentals paid	–	–	(17,571)	(17,571)
Interest element of leases rentals paid	–	–	(4,094)	(4,094)
Total changes from financing cash flows	488	(46,652)	(21,665)	(67,829)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	3,213	3,213
Finance costs	1,989	45,573	4,094	51,656
Exchange gain	(44,348)	–	–	(44,348)
Total other changes	(42,359)	45,573	7,307	10,521
At 31 March 2020	853,018	1,236	56,235	910,489

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 2(c) and 23(b).

23 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities: (Continued)

	Interest-bearing borrowings (note 26) $'000	Other payables $'000	Leases liabilities (note 27) $'000	Total $'000
At 1 April 2018	1,150,591	1,102	23,464	1,175,157
Exchange adjustments	–	–	(1,493)	(1,493)
Changes from financing cash flows:				
Repayments of interest-bearing borrowings	(232,000)	–	–	(232,000)
Interests paid on interest-bearing borrowings and other charges	(12,454)	(58,595)	–	(71,049)
Capital element of leases rentals paid	–	–	(1,435)	(1,435)
Interest element of leases rentals paid	–	–	(1,682)	(1,682)
Total changes from financing cash flows	(244,454)	(58,595)	(3,117)	(306,166)
Other changes:				
Finance costs	12,781	59,808	1,682	74,271
Exchange gain	(24,029)	–	–	(24,029)
Total other changes	(11,248)	59,808	1,682	50,242
At 31 March 2019	894,889	2,315	20,536	917,740

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the followings:

	2020 **$'000**	2019 (Note) $'000
Within operating cash flows	**(3,681)**	(20,665)
Within financing cash flows	**(21,665)**	(3,117)
	(25,346)	(23,782)

Note: As explained in the note to note 23(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

24 TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	Note	2020 $'000	2019 $'000
Trade payables		**10,068**	9,643
Construction costs payables		**7,464**	6,078
Amounts due to PAGAC	17	**429,000**	429,000
Investment deposits	(i)	**623,360**	257,325
Withholding tax in relation to the disposal of subsidiaries		**630,359**	674,152
Other payables and accrued expenses		**390,110**	415,794
		2,090,361	1,791,992

(i) The balance represented investment deposits of RMB570,000,000 (equivalent to approximately $623,360,000) (2019: RMB220,013,000 (equivalent to approximately $257,325,000)) received from a third party for participating in potential acquisition.

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:

	2020 $'000	2019 $'000
Due within three months or on demand	**10,068**	9,643

25 CONTRACT LIABILITIES

Contract liabilities comprise:

	2020 $'000	2019 $'000
Billings in advance of performance	**10,596**	11,510
Advance receipts from customers for sale of medical devices	**22,260**	10,753
	32,856	22,263

Movements of contract liabilities during the year are set out as follows:

	2020 $'000	2019 $'000
At 1 April	**22,263**	27,585
Exchange adjustments	**(911)**	(1,786)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities as at 1 April	**(21,142)**	(17,441)
Net increase in contract liabilities as a result of receiving advance payments and recognising revenue during the year	**32,646**	13,905
At 31 March	**32,856**	22,263

26 INTEREST-BEARING BORROWINGS

As at 31 March 2020 and 2019, the interest-bearing borrowings were repayable as follows:

	2020 $'000	2019 $'000
Within one year or on demand	328,084	894,889
After one year but within five years	524,934	—
	853,018	894,889

As at 31 March 2020 and 2019, the interest-bearing borrowings were secured as follows:

	2020 $'000	2019 $'000
Secured bank loans	853,018	894,889

As at 31 March 2020, the bank loans of the Company of $853,018,000 (2019: $894,889,000) were secured by the Group's bank deposits of $945,155,000 (2019: bank deposits of $643,275,000 and interests in leasehold land of $583,303,000) (notes 22 and 12(c)).

27 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 March 2020		1 April 2019 (Note)		31 March 2019 (Note)	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within one year	**21,371**	**23,015**	18,888	21,447	2,924	2,924
After one year but within two years	**18,420**	**19,250**	20,722	22,543	2,686	2,924
After two years but within five years	**10,126**	**12,030**	25,402	28,004	6,813	8,772
After five years	**6,318**	**10,936**	8,113	14,620	8,113	14,620
	34,864	**42,216**	54,237	65,167	17,612	26,316
	56,235	**65,231**	73,125	86,614	20,536	29,240
Less: total future interest expenses		**(8,996)**		(13,489)		(8,704)
Present value of lease liabilities		**56,235**		73,125		20,536

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	2020 $'000	2019 $'000
At beginning of the year		62,267	66,585
Exchange adjustments		(3,006)	(3,221)
Provision for the year	7(a)	7,688	43,055
Withholding tax		(2,316)	(1,854)
Tax paid		(3,895)	(44,710)
At end of the year		60,738	59,855
Representing:			
Income tax payable		60,738	62,267
Income tax recoverable	21(a)	–	(2,412)
		60,738	59,855

(b) Deferred tax (assets)/liabilities recognised

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

	Note	Depreciation/ amortisation allowance in excess of the related depreciation/ amortisation $'000	Allowance for doubtful debts $'000	Others $'000	Total $'000
At 1 April 2018		140,629	–	(7,227)	133,402
Exchange adjustments		(10,276)	–	1,345	(8,931)
(Credited)/charged to the consolidated income statement	7(a)	(2,919)	(226)	1,191	(1,954)
At 31 March 2019 and 1 April 2019		127,434	(226)	(4,691)	122,517
Exchange adjustments		(8,211)	27	–	(8,184)
Credited to the consolidated income statement	7(a)	(2,685)	(488)	–	(3,173)
At 31 March 2020		116,538	(687)	(4,691)	111,160

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

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

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

	2020 $'000	2019 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(12,334)**	(12,978)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**123,494**	135,495
	111,160	122,517

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $1,953,208,000 (2019: $1,835,234,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Cumulative tax losses of $991,222,000 (2019: $904,284,000), do not expire under the current tax legislation, while cumulative tax losses amounting to $961,986,000 (2019: $930,950,000) will expire in five years under the current tax legislation.

(d) Deferred tax liabilities not recognised:

As at 31 March 2020 and 2019, nil deferred tax liabilities have been recognised in respect of the withholding tax payable on the distribution of the retained earnings of the Group's PRC subsidiaries generated subsequent to 1 January 2008 which the directors expect to distribute outside the PRC in the foreseeable future.

As at 31 March 2020, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to $668,780,000 (2019: $704,885,000). Deferred tax liabilities of $66,878,000 (2019: $70,489,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital	Share premium	Capital redemption reserve	Retained earnings (Note)	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2018	583,386	2,368,990	21,521	133,570	3,107,467
Changes in equity for the year ended 31 March 2019:					
Total comprehensive income for the year	–	–	–	(3,272)	(3,272)
Balance at 31 March 2019 and 1 April 2019 (Note)	**583,386**	**2,368,990**	**21,521**	**130,298**	**3,104,195**
Changes in equity for the year ended 31 March 2020:					
Total comprehensive income for the year	**–**	**–**	**–**	**11,866**	**11,866**
Balance at 31 March 2020	**583,386**	**2,368,990**	**21,521**	**142,164**	**3,116,061**

Note: The Group, including the Company, has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 April 2019. See notes 2(c) and 34.

29 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

		2020		2019	
	Note	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Authorised:					
Ordinary shares of par value of $0.20 each	(i)	**5,000,000**	**1,000,000**	5,000,000	1,000,000
Issued and fully paid:					
At beginning and end of the 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 ordinary shares rank equally with regard to the Company's residual assets.

(i) Authorised share capital

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

(c) Reserves

Nature and purpose of reserves:

(i) Share premium

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

(ii) Capital redemption reserve

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

(iii) Merger reserve

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

29 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(iv) Exchange reserve

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

(v) Surplus reserve

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

(vi) Other reserves

The followings are charged/credited to other reserves:

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

(2) gain/loss on acquisition or dilution of interests in subsidiaries where the Group's interest in a subsidiary is increased/decreased without losing control; and

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

(d) Dividends and distributability of reserves

The board of directors of the Company did not recommend the payment of a final dividend for the years ended 31 March 2020 and 2019.

At 31 March 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $2,511,154,000 (2019: $2,499,288,000).

29 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Capital management

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

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

Consistent with industry practice, the Group monitors its capital structure on the basis of a debt-to-capital ratio. For this purpose, the Group defines debt as the aggregate of interest-bearing borrowings and lease liabilities. Capital comprises all components of equity.

During the year ended 31 March 2020, the Group's strategy, which was unchanged from 2019, was to maintain a stable debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The debt-to-capital ratios at 31 March 2020 and 2019 were as follows:

	Note	**2020** **$'000**	2019 (Note) $'000
Interest-bearing borrowings	26	**853,018**	894,889
Lease liabilities	27	**56,235**	20,536
Total debt		**909,253**	915,425
Total equity		**3,875,946**	4,432,515
Debt-to-capital ratio		**23.46%**	20.65%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2(c).

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

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to amounts due from Sanpower (see note 17), trade receivables, loans to associates and joint ventures, and other receivables in relation to the disposal of subsidiaries. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

(i) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 48% (2019: 21%) and 71% (2019: 37%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables of the medical devices segments are due within 60 to 180 days from the date of billing. For trade receivables of other operating segments, trade receivables are due on control over a product or service is transformed to the customer or the lessee has the right to use the asset. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

(i) Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables.

	2020		
	Weighted average expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**$'000**	**$'000**
Current (not past due)	**0.9**	**19,025**	**(179)**
Within six months past due	**3.5**	**14,819**	**(524)**
Between seven and twelve months past due	**27.0**	**3,487**	**(943)**
Over one year past due	**100.0**	**2,553**	**(2,553)**
		39,884	**(4,199)**

	2019		
	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	$'000	$'000
Current (not past due)	0.9	29,567	(262)
Within six months past due	4.1	13,586	(561)
Between seven and twelve months past due	18.1	3,820	(692)
Over one year past due	100.0	1,814	(1,814)
		48,787	(3,329)

Expected loss rates are based on actual loss experience over the past year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

(i) Trade receivables (Continued)

Movements in the loss allowance account in respect of trade receivables during the year is as follows:

	Note	2020 $'000	2019 $'000
At beginning of the year		**3,329**	1,292
Exchange adjustments		**(154)**	(83)
Impairment loss recognised	6(c)	**1,024**	2,120
At end of the year	21(a)	**4,199**	3,329

(ii) Credit risk arising from loans to associates and joint ventures

Loans to associates and joint ventures are provided to finance the business development in these investees after assessment by management on the feasibility and future prospect of their business development plans, for which the maximum exposure to credit risk at the end of the reporting period, without taking into account the collateral, and the key terms are disclosed in notes 15 and 16, respectively. The Group measures loss allowances for loans to associates and joint ventures at an amount equal to 12-month ECLs. The credit risk of these loans are initially considered to be low and have not increased significantly after reassessment on an individual basis on their risk of default at the end of the reporting period in accordance with the Group's policy as disclosed in note 2(k)(i).

In respect of the loan to a subsidiary of GM Javadi with a principal of US$8,299,000 (equivalent to approximately $64,186,000) at 31 March 2020 and 2019, it is fully secured by properties held by the said subsidiary of GM Javadi. The Group considers that the credit risk arising from this loan is significantly mitigated by the properties held as collateral, with reference to the estimated market value of the properties at 31 March 2020 and 2019.

(iii) Credit risk arising from other receivables in relation to the disposal of subsidiaries

The Group held certain publicly traded securities as collateral against the other receivables in relation to the disposal of subsidiaries of RMB2,259,398,000 (equivalent to approximately $2,470,908,000) in accordance with the Agreement. The maximum exposure to credit risk in respect of the receivables at the end of the reporting period, without taking into account the collateral is disclosed in note 21(a). The Group considers that the credit risk arising from the receivables is significantly mitigated with reference to the market value of the collateral at 31 March 2020.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

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

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

		2020					
	Note	**Within 1 year or on demand $'000**	**More than 1 year but less than 2 years $'000**	**More than 2 years but less than 5 years $'000**	**Over 5 years $'000**	**Total $'000**	**Carrying amount $'000**
Trade and other payables	24	**2,090,361**	**–**	**–**	**–**	**2,090,361**	**2,090,361**
Interest-bearing borrowings	26	**361,216**	**24,934**	**528,172**	**–**	**914,322**	**853,018**
Lease liabilities	27	**23,015**	**19,250**	**12,030**	**10,936**	**65,231**	**56,235**
		2,474,592	**44,184**	**540,202**	**10,936**	**3,069,914**	**2,999,614**

		2019 (Note)					
	Note	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Over 5 years $'000	Total $'000	Carrying amount $'000
Trade and other payables	24	1,791,992	–	–	–	1,791,992	1,791,992
Interest-bearing borrowings	26	911,563	–	–	–	911,563	894,889
Lease liabilities	27	2,924	2,924	8,772	14,620	29,240	20,536
		2,706,479	2,924	8,772	14,620	2,732,795	2,707,417

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases liabilities classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2(c).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, bank deposits, amounts due from third parties, associates and joint ventures, LCS Convertible Note, interest-bearing borrowings and lease liabilities. Instruments bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market conditions. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group at the end of the reporting periods:

	2020		2019 (Note)	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Fixed rate instruments:				
Pledged and time deposits	2.32	956,091	2.48	672,515
Amounts due from an associate	9.00	27,224	9.00	33,585
Amounts due from a joint venture	5.00	86,040	5.00	84,960
LCS Convertible Note	11.00	31,195	—	—
Other receivables	7.73	382,151	7.73	371,959
Lease liabilities	5.62/8.88	(56,235)	8.88	(20,536)
Interest-bearing borrowings	4.75	(853,018)	—	—
		573,448		1,142,483
Variable rate instruments:				
Cash and cash equivalents	0.35	160,762	0.33	3,068,456
Amounts due from a joint venture	5.05	98,506	5.14	89,926
Interest-bearing borrowings	—	—	4.62	(894,889)
		259,268		2,263,493
		832,716		3,405,976

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2(c).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

As at 31 March 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax by approximately $1,982,000/$1,982,000, and increased/decreased retained earnings by approximately $1,930,000/$1,930,000 and increased/decreased non-controlling interests approximately by $52,000/$52,000 respectively (2019: decreased/increased the Group's loss after tax by approximately $14,297,000/$14,297,000, and increased/decreased retained earnings by approximately $14,222,000/$14,222,000 and increased/decreased non-controlling interests approximately by $75,000/$75,000 respectively).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and retained earnings) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2019.

(d) Currency risk

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

The Group is exposed to currency risk through certain investments, receivables and payable, bank deposits and bank loans which are denominated in US$, RMB, SGD and JPY. As HK$ is pegged to US$, the Company does not expect any significant movements in the US$/HK$ exchange rate.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entities to which they relate. For presentation purpose, the amounts of currency risk exposure are shown in HK$, which were translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency are excluded.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

Exposure to foreign currencies (expressed in Hong Kong dollars)

	2020			
	US$	RMB	SGD	JPY
	$'000	$'000	$'000	$'000
Cash at banks	5,746	687	–	–
Amounts due from an associate	–	–	31,273	–
Amounts due from joint ventures	105,496	–	–	91,641
Other financial assets	–	131	31,195	–
Other receivables	382,151	–	–	–
Other payables	(429,000)	–	–	–
Interest-bearing borrowings	–	(853,018)	–	–
Overall net exposure	64,393	(852,200)	62,468	91,641

	2019			
	US$	RMB	SGD	JPY
	$'000	$'000	$'000	$'000
Cash at banks	109,352	1,226	–	–
Amounts due from an associate	–	–	35,329	–
Amounts due from joint ventures	93,554	–	–	87,092
Other financial assets	38,921	–	–	–
Other receivables	371,959	–	–	–
Other payables	(429,000)	–	–	–
Interest-bearing borrowings	(546,000)	(350,877)	–	–
Overall net exposure	(361,214)	(349,651)	35,329	87,092

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and retained earnings $'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and retained earnings $'000
RMB	**5%**	**42,610**	5%	17,483
	(5%)	**(42,610)**	(5%)	(17,483)
SGD	**5%**	**(3,123)**	5%	(1,766)
	(5%)	**3,123**	(5%)	1,766
JPY	**5%**	**(4,582)**	5%	(4,355)
	(5%)	**4,582**	(5%)	4,355

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2019.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair value measurement

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at end of the year on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair values measured using only Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair values measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the executive directors and the audit committee. An analysis of changes in fair value measurement is prepared by the team and is reviewed and approved by the chief financial officer and executive directors, respectively.

		Fair value measurements at 31 March 2020 categorised into		
	Fair value at 31 March 2020 $'000	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Assets:				
Other financial assets				
— unlisted equity securities	**131**	**–**	**–**	**131**
— Convertible notes issued by an associate	**31,195**	**–**	**–**	**31,195**

		Fair value measurements at 31 March 2019 categorised into		
	Fair value at 31 March 2019 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets:				
Other financial assets				
— fund investments	29,560	–	–	29,560
— unlisted equity securities	9,361	–	–	9,361

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

During the years ended 31 March 2020 and 2019, 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.

Information about Level 3 fair value measurements

As at 31 March 2020 and 2019, 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 receivable amount, respectively.

The fair values of the convertible notes issued by an associate are estimated as being the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the associate's credit risk with reference to market comparable companies. The fair value measurement is negatively correlated to the discounted interest rate. As at 31 March 2020, it is estimated that with all other variables held constant, a decrease/increase in the discounted interest rate by 1% would have increased/decreased the Group's other comprehensive income by $670,000/$650,000.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	$'000
As at 1 April 2019	38,921
Exchange adjustments	(1,378)
Additions	30,840
Changes in fair value of financial instruments at fair value through profit or loss	(37,057)
As at 31 March 2020	31,326

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

The carrying amounts of the Group's and the Company's financial instrument carried at cost or amortised cost are not materially different from their fair values as at 31 March 2020 and 2019 except for the following financial instrument:

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

31 COMMITMENTS

(a) Capital commitments for the acquisition of property, plant and equipment outstanding at 31 March 2020 and 2019 not provided for in the consolidated financial statements were as follows:

	2020 **$'000**	2019 $'000
Contracted for	**5,451**	12,781

(b) As at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 $'000
Within 1 year	21,746
After 1 year but within 5 years	37,822
	59,568

The Group is the lessee in respect of a number of properties and items of plant and machinery held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(j), and the details regarding the group's future lease payments are disclosed in note 27.

32 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the plan vest immediately.

As stipulated by the labour regulations of the PRC, the Group also participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at approximately 20% of the eligible employees' salaries for the year ended 31 March 2020.

32 EMPLOYEE RETIREMENT BENEFITS (Continued)

As disclosed in note 8, the Company also granted the Retirement Benefits Scheme to the directors of the Company.

The Group has no other significant obligation for the payment of its employees' retirement and other post-retirement benefits other than the contributions described above.

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel remuneration represents amounts paid to the Company's directors as disclosed in note 8 and the highest paid employees as disclosed in note 9.

(b) Transactions with related companies

Financing arrangements with associates and joint ventures

(1) As at 31 March 2020, the Group provided financing to a subsidiary of GM Javadi with an aggregate amount of $98,506,000 (2019: $89,926,000), which included (i) a loan with a principal amount of US$8,229,000 (equivalent to approximately $64,186,000) (2019: US$8,229,000 (equivalent to approximately $64,186,000) due in January 2022 at the United States prime rate; and (ii) advances of US$4,400,000 (equivalent to approximately $34,320,000) (2019: US$3,300,000 (equivalent to approximately $25,740,000)) with no planned settlement schedule.

During the year ended 31 March 2020, interest income from the loan to subsidiary of GM Javadi was $4,802,000 (2019: $4,359,000).

(2) On 6 November 2017, GM Investment entered into a loan facility agreement with LCS, pursuant to which, GM Investment granted to LCS a revolving credit facility for a period of 3 years at 9% per annum (the "LCS Loan Facility Agreement"). As at 31 March 2020, LCS has aggregately drawn-down SGD5,000,000 (equivalent to approximately $27,224,000) (2019: SGD5,800,000 (equivalent to approximately $33,585,000)).

During the year ended 31 March 2020, interest income from the loan to LCS was $2,837,000 (2019: $1,820,000).

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related companies (Continued)

Financing arrangements with associates and joint ventures (Continued)

(3) On 13 August 2018, GM K.K., an indirect wholly-owned subsidiary of the Company, and Magnum Opus entered into a shareholders loan agreement (the "KINKA Shareholders Loan Agreement") with KINKA, a joint venture of the Group. Pursuant to the KINKA Shareholders Loan Agreement, GM K.K. and Magnum Opus conditionally agreed to provide a loan to KINKA in an aggregate principal amount of JPY2,400,000,000 (the "KINKA Shareholders Loan") for a period of 5 years at an interest rate of 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 KINKA.

On 29 March 2019, GM Investment and GM K.K. entered into a deed of loan assignment, pursuant to which, GM K.K. agreed to assign all of the benefits and rights in its share of the KINKA Shareholders Loan to GM Investment. In addition, SOJV and KINKA entered into a sale and purchase agreement, pursuant to which, SOJV agreed to acquire from KINKA, and KINKA agreed to sell to SOJV the entire equity interest in GM Okinawa Seragaki Godo Kaisha (the then wholly-owned subsidiary of KINKA) in consideration of SOJV assuming all the obligations of the KINKA Shareholders Loan owed by KINKA and procuring a release and discharge by GM Investment and Magnum Opus, respectively, of KINKA from the KINKA Shareholders Loan.

As at 31 March 2020, carrying amount of the loan to SOJV was JPY1,200,000,000 (equivalent to approximately $86,040,000) (2019: JPY1,200,000,000 (equivalent to approximately $84,960,000)).

During the year ended 31 March 2020, interest income from the loan to SOJV was $4,321,000 (2019: interest income from the loan to KINKA was $2,638,000 and that to SOJV was $23,000).

(4) On 6 August 2019, GM Investment agreed to subscribe for the LCS Convertible Note, in the principle amount of SGD5,800,000 at the interest rate of 11% per annum compounded annually for a term of 3 years. LCS Convertible Note is convertible into new LCS shares at the conversion price, being the net assets value per LCS share at each conversion date. As at 31 March 2020, GM Investment has subscribed for SGD5,400,000 (equivalent to approximately $30,706,000) LCS Convertible Note, of which SGD800,000 (equivalent to approximately $4,538,000) was used to settle part of the outstanding loan borrowed by LCS under the LCS Loan Facility Agreement.

As at 31 March 2020, the fair value of the LCS Convertible Note was SGD5,729,000 (equivalent to approximately $31,195,000).

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Applicability of the Listing Rules relating to connected transactions

Certain related party transaction in respect of note 33(b) above constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section "Report of the directors".

The related party transaction in respect of the directors' remuneration constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020 $'000	2019 (Note) $'000
Non-current assets		
Property, plant and equipment	22,738	286
Interests in subsidiaries	3,389,437	3,858,415
Interests in an associate	22,863	17,505
Amounts due from a joint venture	105,534	93,591
	3,540,572	3,969,797
Current assets		
Other receivables	5,529	8,031
Cash and cash equivalents	3,391	115,106
	8,920	123,137
Current liabilities		
Other payables	83,220	93,850
Interest-bearing borrowings	328,084	894,889
Lease liabilities	11,787	–
	423,091	988,739
Net current liabilities	(414,171)	(865,602)
Total assets less current liabilities	3,126,401	3,104,195
Non-current liabilities		
Lease liabilities	10,340	–
NET ASSETS	3,116,061	3,104,195
CAPITAL AND RESERVES (note 29(a))		
Share capital	583,386	583,386
Reserves	2,532,675	2,520,809
TOTAL EQUITY	3,116,061	3,104,195

Note: The Company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

(Expressed in Hong Kong dollars unless otherwise indicated)

35 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2020, the directors consider the immediate parent and ultimate controlling party of the Group to be Bio Garden Inc., which is incorporated in BVI. This entity does not produce financial statements available for public use.

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Subsequently on 29 April 2020, the Company subscribed the remaining SGD400,000 (equivalent to approximately $2,200,000) LCS Convertible Note as mentioned in note 15.

(b) On 9 June 2020, Meditech Global Group Limited (the "Offeror") requested the board of directors to put forward a proposal which, if approved and implemented, will result in the Company being privatised by the Offeror and the withdrawal of listing of the shares of the Company on the Stock Exchange. The proposal will be implemented by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands (the "Scheme"). Further details of the Scheme are set out in the Company's announcement dated 17 June 2020.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 March 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 April 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 April 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published financial information of the Group, re-presented as appropriate, is set out below:

RESULTS

	Year ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2018 HK$'000	Year ended 31 March 2019 HK$'000	**Year ended 31 March 2020 HK$'000**
Revenue	281,558	230,666	250,719	315,668	**307,141**
Loss from operations	(265,240)	(312,168)	(298,074)	(549,863)	**(163,428)**
Finance costs	(144,467)	(572,119)	(377,055)	(74,271)	**(51,656)**
Changes in fair value of financial instruments at fair value through profit or loss	(17,250)	(13,633)	(47,485)	(13,971)	**(37,057)**
Share of losses in associates and joint ventures	–	(1,531)	(13,873)	(23,669)	**(28,866)**
Reversal of impairment loss on investment in Fortress Group Limited	–	734,525	–	–	**–**
Impairment loss on goodwill	–	(294,995)	–	–	**–**
Loss before taxation	(426,957)	(459,921)	(736,487)	(661,774)	**(281,007)**
Income tax expense	(4,327)	(2,672)	(8,519)	(41,101)	**(4,515)**
Loss for the year from continuing operations	(431,284)	(462,593)	(745,006)	(702,875)	**(285,522)**
(Loss)/profit for the year from discontinued operation	(357,268)	291,399	4,108,092	–	**–**
Attributable to:					
Equity shareholders of the company					
– continuing operations	(405,561)	(436,770)	(707,605)	(675,444)	**(261,364)**
– discontinued operation	(280,951)	289,649	4,106,754	–	**–**
	(686,512)	(147,121)	3,399,149	(675,444)	**(261,364)**
Non-controlling interests					
– continuing operations	(25,723)	(25,823)	(37,401)	(27,431)	**(24,158)**
– discontinued operation	(76,317)	1,750	1,338	–	**–**
	(102,040)	(24,073)	(36,063)	(27,431)	**(24,158)**
(Loss)/profit for the year	(788,552)	(171,194)	3,363,086	(702,875)	**(285,522)**

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Property, plant and equipment	2,891,516	2,688,760	2,785,146	2,591,396	**2,459,218**
Goodwill	491,410	168,318	182,291	173,119	**164,420**
Interests in associates	—	32,311	40,941	49,230	**49,085**
Interests in joint ventures	—	68,850	104,992	199,498	**200,683**
Available-for-sale securities	96,189	78,271	19,788	—	**—**
Other financial assets	—	—	—	38,921	**31,326**
Trade and other receivables	—	1,186,363	784,911	371,959	**382,151**
Deferred tax assets	13,967	13,418	15,028	12,978	**12,334**
	3,493,082	4,236,291	3,933,097	3,437,101	**3,299,217**
Current assets	1,113,697	1,005,944	4,785,370	3,923,246	**3,793,797**
Assets of disposal group classified as held for sale	5,686,204	5,986,102	—	—	**—**
Total assets	10,292,983	11,228,337	8,718,467	7,360,347	**7,093,014**
Current liabilities	(3,118,639)	(4,036,836)	(2,076,739)	(2,774,335)	**(2,533,410)**
Liabilities of disposal group classified as held for sale	(2,377,303)	(2,574,384)	—	—	**—**
Total assets less current liabilities	4,797,041	4,617,117	6,641,728	4,586,012	**4,559,604**
Non-current liabilities	(328,555)	(586,290)	(1,087,786)	(153,497)	**(683,658)**
Net assets	4,468,486	4,030,827	5,553,942	4,432,515	**3,875,946**
Attributable to:					
Equity shareholders of the Company	3,672,800	3,323,940	5,475,562	4,381,497	**3,844,716**
Non-controlling interests	795,686	706,887	78,380	51,018	**31,230**
TOTAL EQUITY	4,468,486	4,030,827	5,553,942	4,432,515	**3,875,946**

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. FENG Wen *(Chairman)*
(appointed as chairman on 24 May 2019)
Mr. LEONG Kim Chuan
(appointed as Executive Director on 24 May 2019)
Mr. KAM Yuen (resigned as Chairman and Executive Director on 24 May 2019)
Mr. KONG Kam Yu (resigned as Executive Director on 24 May 2019)

NON-EXECUTIVE DIRECTOR

Ms. ZHENG Ting
(resigned as Non-Executive Director on 24 May 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GAO Yue
Mr. POON Tsz Hang (appointed as an Independent Non-Executive Director on 24 May 2019)
Mr. Daniel FOA
Prof. CAO Gang (resigned as an Independent Non-Executive Director on 24 May 2019)
Prof. GU Qiao (resigned as an Independent Non-Executive Director on 24 May 2019)

REGISTERED OFFICE

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

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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

Mr. LEONG Kim Chuan, *ACCA* (appointed as qualified accountant on 24 May 2019)
Mr. KONG Kam Yu, *ACA*, *AHKSA* (resigned as qualified accountant on 24 May 2019)

COMPANY SECRETARY

Ms. LAM Cheuk Man, *ACIS*, *ACS* (appointed as company secretary on 24 May 2019)
Mr. KONG Kam Yu, *ACA*, *AHKSA* (resigned as company secretary on 24 May 2019)

COMPLIANCE OFFICER

Mr. LEONG Kim Chuan (appointed as Compliance Officer on 24 May 2019)
Mr. KAM Yuen (resigned as Compliance Officer on 24 May 2019)

AUDIT COMMITTEE MEMBERS

Mr. POON Tsz Hang *(Chairman)* (appointed as chairman and member of audit committee on 24 May 2019)
Mr. GAO Yue
Mr. Daniel FOA (appointed as member of audit committee on 24 May 2019)
Prof. CAO Gang (resigned as chairman and member of audit committee on 24 May 2019)
Prof. GU Qiao (resigned as member of audit committee on 24 May 2019)

REMUNERATION COMMITTEE MEMBERS

Mr. Daniel FOA *(Chairman)* (appointed as chairman and member of remuneration committee on 24 May 2019)
Mr. GAO Yue (resigned as chairman of remuneration committee on 24 May 2019)
Mr. POON Tsz Hang (appointed as member of remuneration committee on 24 May 2019)
Prof. CAO Gang (resigned as member of remuneration committee on 24 May 2019)
Prof. GU Qiao (resigned as member of remuneration committee on 24 May 2019)

NOMINATION COMMITTEE MEMBERS

Mr. GAO Yue *(Chairman)*
Mr. POON Tsz Hang (appointed as member of nomination committee on 24 May 2019)
Mr. Daniel FOA (appointed as member of nomination committee on 24 May 2019)
Prof. CAO Gang (resigned as member of nomination committee on 24 May 2019)
Prof. GU Qiao (resigned as member of nomination committee on 24 May 2019)

AUTHORISED REPRESENTATIVES

Mr. FENG Wen (appointed as authorised representative on 24 May 2019)
Mr. LEONG Kim Chuan (appointed as authorised representative on 24 May 2019)
Mr. KAM Yuen (resigned as authorised representative on 24 May 2019)
Ms. ZHENG Ting (resigned as authorised representative on 24 May 2019)

LEGAL ADVISERS TO THE COMPANY

as to Hong Kong law
Minter Ellison Lawyers

AUDITORS

KPMG

COMPLIANCE ADVISER

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
(Formerly known as "Estera Trust (Cayman) Limited")

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
Shanghai Huarui Bank
Sumitomo Mitsui Banking Corporation

INVESTOR RELATIONS

Ms. Joanna Rui, Investor Relations Manager
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