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

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

## ANNUAL REPORT
## 2009/2010

# Enhancing
## Shareholders' Value

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# Corporate Profile

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

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

## THE MEDICAL DEVICES SEGMENT

Primarily engaged in the development, manufacture, sales and distribution of blood-related medical devices, the Group has been focused on the development of blood recovery, purification, treatment and preservation technologies.

Our key products include the Autologous Blood Recovery System (the "ABRS"), the first of its kind to obtain the approval of the State Food and Drug Administration ("SFDA"), the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump.

## THE HEALTHCARE SERVICE SEGMENT

Focusing on hospital management and related services, the Group is the first and only foreign company with a nationwide hospital management license in China. We currently manage the two largest haematology specialist hospitals in China.

We are the first and leading provider of medical insurance information management and back-office administration business process outsourcing ("BPO") services in China, assisting both foreign and domestic medical insurance companies in China.

The Group is also a substantial shareholder of China Cord Blood Corporation (CO.US; "CCBC"), the first and largest umbilical cord blood bank in China with exclusive licenses in Beijing and Guangdong, and an investment in the exclusive operator in Shandong. CCBC is also the single largest shareholder of Cordlife Ltd. (CBB.AX), Southeast Asia's largest cord blood bank operator.

Over the years, we have successfully established dominant positions in each market via our proven strategy to position ourselves as the "entrepreneur + operator + cornerstone investor," thanks to our strengths in innovation and market expertise, and the ability in capturing emerging market opportunities. This has enabled us to unleash the intrinsic value of each business unit, releasing the Group's resources to focus on operation, speeding up the uptake of market share and effectively accelerating business growth.

In the long run, the Group is committed to achieving long-term growth through the following strategies:

- Position ourselves as the "entrepreneur + operator + cornerstone investor"
- Focus on medical devices and healthcare services operations, addressing both hospital and general public markets
- Invest in healthcare projects with huge market potential, limited competition, and great investment returns
- Enhance shareholders' value through successful listings of operations (e.g. China Cord Blood Corporation (CO.US), FunTalk China Holdings Limited (FTLK.US)

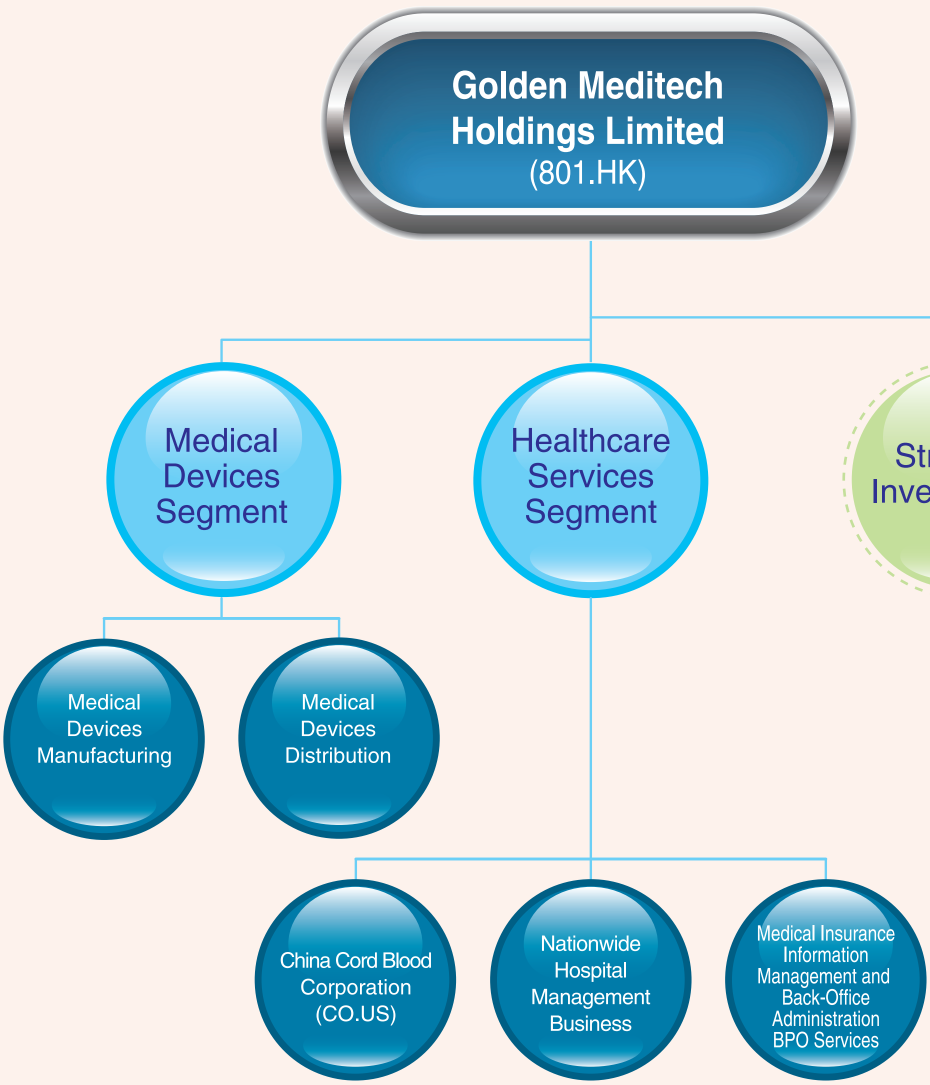
**As a leading integrated medical devices and healthcare services player in China with prominent presence in niche and lucrative markets, our seasoned management team has a proven track record for their execution capabilities**

FIRST AND LARGEST BLOOD-RELATED MEDICAL DEVICES MANUFACTURER

FIRST FOREIGN-OWNED COMPANY LICENSED TO MANAGE HOSPITALS NATIONWIDE

FIRST AND LARGEST CORD BLOOD BANK OPERATOR

# Business Structure



# Corporate History and Milestones

## GOLDEN MEDITECH'S CORPORATE HISTORY AND MILESTONES

**2000:**
- Golden Meditech became the first ABRS (Autologous Blood Recovery System) manufacturer to obtain State Food and Drug Administration (SFDA) approval

**2001:**
- Listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (8180.HK)

**2002:**
- Medical devices production facility in Beijing obtained GMP certification and commenced production

**2003:**
- Strategic investment in China Medical Technologies Inc. ("CMED")
- Strategic investment in and commencement of cord blood bank operation in Beijing

**2004:**
- Strategic investment in Union China National Medical Equipment Corporation Limited ("UCMC") under the Sinopharm Group. UCMC is China's first and largest sino-foreign medical devices distribution joint venture

**2005:**
- CMED listed on NASDAQ as China's first healthcare company listed in the United States

**2006:**
- Successfully completed a private placement for the cord blood banking business with a pre-money valuation at US$100 million
- Strategic investment in Pypo Technology (later became "FunTalk China Holdings Limited")

**2007:**
- Successfully completed second round of private placement for the cord blood banking business with a pre-money valuation at US$200 million
- Expansion of cord blood banking business into Guangdong Province
- FunTalk China successfully completed a US$90 million private placement with a post-money valuation of US$270 million

**2008:**
- Obtained SFDA approval for Plasma Exchange System and Accelerated Thermostatic Infusion Pump
- New cord blood storage facilities commenced operation in Guangdong Province

**2009:**
- New cord blood storage facility, currently the largest cord blood storage facility in the world in terms of capacity and daily processing volume, commenced operation in Beijing
- Transferred listing from the Growth Enterprise Market onto the Main Board of the Hong Kong Stock Exchange in June 2009 (801.HK)
- Completed the acquisition and obtained the first ever nationwide hospital management licensed to a wholly-owned foreign entity. Subsequently completed the private equity financing for hospital management operations with a pre-money valuation of US$210 million valuation
- China Cord Blood successfully listed on New York Stock Exchange (CO.US)
- FunTalk China Holdings ("FunTalk", FTLK.US) successfully listed on NASDAQ
- Entered into negotiation with Fenwal Inc. for the formation of a joint-venture operation targeting the China market

**2010:**
- Board approval for the Company to change its name to "Golden Meditech Holdings Limited", to better reflect the Group's diversity and depth in China's healthcare industry
- Launched China's first third-party medical insurance information management and back-office administration BPO joint-venture, GM-Medicare Management (China) Company Limited, with two leading US-based health maintenance organisations (HMOs), SynerMed and EHS

# Chairman's Statement

# Chairman's Statement


Dear Shareholders,

2009 has been an extraordinary year for Golden Meditech Holdings Limited (hereafter "Golden Meditech" or "the Group"). As we entered into the ninth year since we were listed on The Stock Exchange of Hong Kong Limited, the Group has grown from strength-to-strength alongside the countless opportunities brought about by the ongoing medical reforms in China, where we have made significant in roads into the healthcare industry.

Over the years, the Group has successfully adhered to its strategy as the "Entrepreneur + Operator + Cornerstone Investor" to facilitate the growth of each business segment, enlarge market shares, and to cultivate, build and strengthen its leadership positions in their respective markets. This strategy proves to be well-tailored to and effective in China's fragmented healthcare markets. During the review period, two of the Group's affiliates, China Cord Blood Corporation and FunTalk China Holdings, became listed on the New York Stock Exchange and NASDAQ, respectively. As of today, the Group has already taken two companies public as full-grown, sizable corporations that are traded on major stock exchanges in the US. In addition to enhancing shareholders' return and to truly reflect the intrinsic value of each operation, this strategy is catalytic to quicken the growth of individual business segment, bringing considerable benefits to investors, and facilitating long term business growth. Going forward, we will continue to deploy this proven strategy of business securitisation to maximise shareholders' benefits.

The successful transfer of our listing onto the Main Board of The Stock Exchange of Hong Kong Limited in June 2009 was another key milestone for the Group. This has both enhanced the Group's reputation amongst international institutional investors and enabled the Group better access to a broader base of investors. As a leading integrated-healthcare operator in China, we will continue to advance our healthcare services segment by enhancing market penetration of both our hospital management business and medical insurance information management and back-office administration BPO based on our industry expertise. We will continue to accelerate the introduction of in-house developed medical devices, and strengthen our leading position in China's medical devices market through collaborating with global leaders in blood technologies, such as Fenwal Inc., for product innovation.

During the period under review, the Group has laid down a solid foundation towards its strategic goal by maintaining its scalability and leading positions in each operating area while sustaining high revenue growth:

**Medical Devices Segment to Accelerate Growth on the Back of Medical Reform:** The Group has further strengthened its leading position in blood related technology products by aligning with Fenwal Inc., for the formation of a joint venture to focus on China's blood component collection and transfusion market. Meanwhile, we have also launched two new, in-house developed products, the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump. New policies under the medical reforms have created new opportunities for the Group's medical devices to penetrate into the massive mid-tier hospitals while the Government's initiatives to enhance awareness for safer use of surgical blood will lead to greater utilisation of the Group's medical devices, with direct positive impact on both medical devices and accessories sales.

**Healthcare Services Segment Broadens Scope while Performance of Hospital Management Business in line with Management Expectations:** The Group completed the acquisition of the hospital management business in June 2009. In addition to future business growth, the hospital management business will also enjoy significant synergies with the Group's other operations. The hospital management business posted remarkable performance for the three quarters ended 31 March 2010, contributing HK$51,763,000 in revenue, in-line with the management's expectations.

The progress of the medical reform has unleashed numerous opportunities for our hospital management business, where investors are only beginning to recognise its true potential. In the year under review, the hospital management company issued US$28,000,000 in convertible notes based on the operation's estimated valuation of US$210,000,000, and the capital raised will catapult business expansion.


The trends for business process outsourcing amongst international insurers and the growing demand for domestic hospitals for service innovations have led the Group into teaming up with two renowned health maintenance organisations from the US in April 2010, on a joint-venture to specialise in medical insurance information management and back-office administration BPO services. The new entity, GM-Medicare Management (China) Limited, fills in the gaps in the relevant industries and satisfies an apparent need amongst insurance companies and Chinese hospitals, in line with industry practices. We believe this new venture has immense potential for further development and growth.

The Group has a substantial stake in China Cord Blood Corporation, which has sustained a relatively high growth during the review period. As a leading operator with the broadest coverage in terms of population, ethnic diversity, and geographic coverage, and as an independent, company traded on the New York Stock Exchange, China Cord Blood Corporation has a management team with proven ability to achieve the company's global strategic development objectives outstanding brand recognition, and solid financial resources.

During the review period, the Group's total turnover from continuing operations amounted to HK$285,467,000 with a 3.2% increase compared to the previous year. Profit attributable to shareholders, despite a non-cash expense related to convertible notes issued, has still increased by 104% to HK$116,412,000. Excluding such an item, profit attributable to equity shareholders would have increased substantially by 283% to HK$218,769,000.


## BUSINESS OUTLOOK

The Group has adhered to its proven strategy to identify, invest, and cultivate untapped business opportunities within the healthcare industry in China thanks to the management team's insight, in-depth experience and knowledge of the market in China and its outstanding execution capabilities. In view of the Chinese government's progressive initiatives in medical reforms, we believe the industry will offer remarkable growth potentials and business opportunities. Focusing on the healthcare industry, we endeavour to continuously enhance shareholder's return through various means, including consideration to opt for more listings of nascent business operations in the future.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude towards our shareholders for their incessant support to the Group, and to our management and operational teams, their unremitting hard work and dedication.

**KAM Yuen**
Chairman

22 July 2010

# Management Discussion and Analysis

## OVERALL BUSINESS REVIEW

During the review period, Golden Meditech Holdings Limited ("Golden Meditech" or "the Group") has made a number of significant headways in our two core business segments of medical devices and healthcare services. For the medical devices segment, in August 2009, we have aligned with a leading blood technology specialist, Fenwal Inc., regarding the proposed establishment of a joint venture for the distribution of medical devices as well as the development of blood collection and transfusion products. In our healthcare services segment, in June 2009, we completed the acquisition of the hospital management group, which manages two leading haematology hospitals in China. This was followed by a successful private equity fundraising for our hospital management business in October 2009, four months after the completion of the acquisition, valuing the entire operation at US$210,000,000 which bodes well for the growth of the hospital management business. Subsequent to the end of the reporting period, in April 2010, we have also formed GM-Medicare Management (China) Co, Ltd, ("GM-Medicare"), a joint venture company, with two leading US health maintenance organisations (HMOs). This new venture is a groundbreaking move and will serve as China's first dedicated medical insurance information management and back-office administration business process outsourcing (BPO) service provider, filling in the gaps of the relevant industries.

Our strategy has always been to address emergent needs from within the hospital value-chain in China. Since our initial public offering on the Growth Enterprise Market of the Hong Kong Stock Exchange in 2001, the Group has successfully captured growth opportunities and developed into an integrated-medical devices and healthcare service provider while maintaining our focus in the healthcare industry in China. In June 2009, as a testimony to our consistent growth and achievements, the Group has successfully transferred its listing to the Main Board of The Stock Exchange of Hong Kong Limited under stockcode of "801." In view of such changes at the corporate level, the Company has officially changed its name to "Golden Meditech Holdings Limited" in March 2010. We believe this will better reflect our growing business portfolio of diversified yet synergistic upstream and downstream healthcare operations.

During the review period, the Group reported outstanding operating results despite an uncertain global business environment and other changes associated with on-going medical reforms in China. Each operation has performed in-line with the management's expectations.

For the year ended 31 March 2010, the Group's total turnover amounted to HK$285,467,000, up 3% compared to the previous financial year (excluding the revenue contribution from the cord blood bank division following its listing on the New York Stock Exchange during the year). The medical devices segment and healthcare services segment accounted for 82% and 18% of our total turnover, respectively. The gross profit margin remained relatively stable at 60%. Profit from continuing operations fell by 12% to HK$135,988,000 compared to the previous year (mainly due to a one-off gain as a result of the write-back of a discretionary bonus provision of HK$30,493,000 for the year ended 31 March 2009). Taking out this one-off gain last year, profit from operations increased by 10% compared to the last financial year. Profit attributable to equity shareholders increased by 104% to HK$116,412,000 despite a non-cash expense due to an increase in value of financial liabilities at fair value through profit or loss of HK$102,357,000 arising from the issue of convertible notes and corresponding warrants. Taking out this non-cash expense, profit attributable to equity shareholders amounted to HK$218,769,000, representing an increase of 283% compared to the previous financial year which is in-line with our expectations. As a result of the strong share performance since the issue of convertible notes and corresponding warrants, the value of the convertible notes and corresponding warrants have increased and the Group recognised approximately HK$102,357,000 in related expenses. As of today, close to 52% of the outstanding convertible notes issued by the Company has been converted into ordinary shares. The Group's basic earnings per share, excluding expense on revaluation of financial liabilities, and the Group's reported basic earnings per share were HK13.7 cents and HK7.2 cents respectively.

## BUSINESS SEGMENTS REVIEW

### *Medical Devices Segment*

The medical devices segment continued to perform satisfactorily during the period under review, generating HK$233,704,000 in revenue compared to HK$276,535,000 from the previous year, representing a decrease of 15%.

Of the revenue generated from medical devices segment, 63% is attributable to machines sales and 37% is generated from medical accessories sales. On a year-to-year basis, medical devices sales have remained relatively stable and in-line with our expectations, considering the strategic price cut in late 2008 while medical accessories sales have recorded an increase of 20%, which translates into a relatively high CAGR of 20.2% over the past 5 years.

The moderate plateau in medical device sales is largely attributable to saturation amongst upper-tier hospitals, hence our focus in the coming year is to extend our reach from amongst the top-tier hospitals at present to include both top and second-tier hospitals, which will directly benefit from the ongoing medical reforms, particularly in terms of having greater access to funding and resources to upgrade their infrastructure. We believe China's medical reforms are still only at an early stage of their rollout and we expect to see more of the fiscal funding on hospitals infrastructure and services in the next few years. To prepare ourselves for the impending growth of China's healthcare industry, we have reduced the pricing of our machines since 2008 to make them more affordable to a broader segment of hospitals. Additionally, recent government initiatives point towards encouraging surgical use of autologous blood, and reinforcing surgical blood safety measures which are in-line with interested industry trends and will have a positive impact on both medical devices and accessories sales.

The Group is currently in the process of increasing its marketing and brand building efforts to complement our next round of sales drive in order to enhance the penetration rate of both medical devices and accessories. On the other hand, we have also made considerable progress in the marketing and education for our two newer products, the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump. We have successfully partnered with a number of leading research institutes and large hospitals in key cities for trial use of these new products and have been gathering an increasing number of endorsements. These two machines will be catalytic to the Group's medical devices business from a medium term perspective.

Plasma Exchange System

Accelerated Thermostatic Infusion Pump

In August 2009, the Group announced an agreement with Fenwal Inc., a global leader in blood transfusion technologies. This is a significant and important move to enable the Group to advance its foothold in the healthcare industry in China and the opportunity to explore China's rapidly-developing blood collection and transfusion market. The Group will control 49% of the new entity that will focus on the design and development of new products with the latest technologies, that are localised to specifically cater to the Chinese markets. The strategy will fully complement our medical devices operations, enhance our technological innovation capability, strengthen our market leading position, while advancing blood collection and transfusion technologies available in China.

***Healthcare Services Segment***

Our healthcare services segment currently consists of our hospital management business, and the newly incorporated GM-Medicare Management (China) Limited, our medical insurance claim processing and outsourcing business. We also have a 43.6% stake in China Cord Blood Corporation (or "CCBC" - CO.US), our affiliate engaged in cord blood banking business.

The Group completed the acquisition of the hospital management group in June 2009, following the initial announcement in May 2008, with a nationwide hospital management license and management rights to two leading haematology hospitals in China. This was followed by a private equity investment of HK$218,400,000 (US$28,000,000) via the issuance of 5% senior convertible notes by the hospital management business unit in October 2009. The hospital management business is highly and directly synergistic with the Group's other businesses. Such a move will not only help enhance our competitiveness, but also strengthen our strategic presence as one of the leading players in China's healthcare industry which bodes well for its growth.

In November 2009, CCBC was listed on the New York Stock Exchange as the largest cord blood banking operator in China with exposure in six other countries in Southeast Asia through Cordlife. While the Group has remained as its largest shareholder, as a result of the public offering, CCBC has become a stand alone, leading player in the industry. As CCBC has become an associate of the Group, the Group has ceased to consolidate its revenue, results, assets and liabilities since 1 July 2009. CCBC's contribution to the Group's total revenue

Beijing Cord Blood Bank

(from 1 April 2009 to 30 June 2009) amounted to HK$64,274,000 and contribution to the Group's profit as an associate amounted to HK$27,374,000 for the year (from 1 July 2009 to 31 March 2010) despite the dilution effects as a result of its US listing.

Subsequent to the end of the reporting period, in April 2010, the Group announced the launch of GM-Medicare. GM-Medicare is a joint venture between Golden Meditech and renowned US health maintenance organisations, SynerMed Inc. and EHS Medical Group. Golden Meditech has a 70% stake in the new entity China's first medical insurance information management and back-office administration business process outsourcing (BPO) service provider. Connecting the dots between insurance companies, hospitals and the insured, GM-Medicare fills an important gap in the market, where a growing number of expatriate professionals and tourists are demanding quality medical and healthcare services.

GM-Medicare provides a professional, customisable medical insurance information management and back-office administration outsourcing services that enable medical insurance companies to offer more new products and services while minimising their operational costs and risks. GM-Medicare enables hospital operators to provide quality, innovative services, facilitates the growth of the medical insurance industry in order to capture high-calibre customers from outside of the country. GM-Medicare will enable the Group to roll out our expansion plan for the hospital management business, as we gain better understanding of, and forge closer ties with our target hospitals.

***Strategic Investments***

During the review period, FunTalk China Holdings Limited ("FunTalk China") (previously Pypo China, FTLK.US), the Group's jointly controlled entity and strategic investment project has successfully listed its shares on NASDAQ. Proceeds from the offering amounted to US$21,700,000 (equivalent to HK$169,260,000) which was used to expand the Group's retail business in China.

***Corporate Strategies and Prospects***

Our growth strategy has always focused on tapping into synergistic areas within the healthcare industry in China, taking full advantage of our in-depth knowledge of the healthcare industry in China, our strong network of hospital partners, and our demonstrated ability to identify uncharted yet potentially lucrative business areas within the medical business value chain. This has enabled the Group to secure a greater share of a new market and reinforce our position as a leader and a first-mover in different business areas. Assuming the role of the "entrepreneur + operator + cornerstone investor" has evidently worked very well to our advantage and has enabled us to unleash the intrinsic value of each business unit, releasing the Group's resources to focus on operations, speeding up the uptake of market share and effectively accelerating business growth. This has been proven by our established medical devices business and our cord blood banking operation which is now recognised as the leading operator listed on the NYSE. The same strategy has also paid off for FunTalk China, which also has its shares listed on the NASDAQ.

Golden Meditech is recognised as a first-mover in China's healthcare industry with a proven track-record in identifying, grooming and establishing dominant positions in specialist market segments within the industry, including medical devices, cord blood banking and hospital management and related healthcare services and this will continue to be our growth strategy going forward.

The management is of the view that the Company's prospects will hinge upon, and will surely benefit from, the progress of China's ongoing medical reform, increase in government healthcare spending, China's fast-growing economy and a pragmatic regulatory environment which emphasises well-paced economic growth, thus creating immense room for our future developments.

## FINANCIAL REVIEW

### *Overview*

For the year ended 31 March 2010, the Group's total turnover, excluding revenue from CCBC, was HK$285,467,000, representing an increase of 3% compared to the previous year. The Group's core medical devices segment reported a 15% decrease in revenue and accounted for 82% of total turnover while the hospital management business contributed 18% of total turnover.

### *Medical Devices Segment*

Revenue from the Group's continuing operation in medical devices reported a 15% decrease on a year-on-year basis at HK$233,704,000. Revenue from medical devices sales remained relatively stable considering the strategic price cut in late 2008, whereas medical accessories sales maintained a strong growth rate of 20% during the period. Performance of this segment is satisfactory and in line with management's expectations. With the on-going medical reforms, we are confident that the Group will see greater contributions from this segment in the calendar year 2011.

### *Healthcare Services Segment*

With the completion of the acquisition of the hospital management group in June 2009, the Group's hospital management business also contributed HK$51,763,000 to the Group's turnover for the first time, effectively broadening the revenue mix and mitigated the impact of adopting equity accounting for CCBC to the Group's total turnover. The Group has ceased to consolidate revenue from the cord blood banking operation since July 2009 as the Group has reduced its stake to less than 50% and no longer controls CCBC. The Group has since adopted equity accounting for CCBC's contribution. During the first three months of the reporting period (from April to June 2009), CCBC contributed HK$64,274,000 to the Group's total turnover.

***Associates and Jointly-controlled Entities***

The Group currently holds 43.6% of CCBC's shares. CCBC reported approximately 34% growth in turnover during the year with strong growth momentum in subscribers' uptake compared to the previous year (according to US GAAP). For the nine months ended 31 March 2010, CCBC contributed HK$27,374,000 in profits to the Group. The Group anticipates that the business will sustain strong growth under the guidance provided by the company's management, fuelled in part by increase in penetration in China as well as expansion in the pan-Asian region through Cordlife.

The Group also owns effectively 28.9% of FunTalk China's shares, which have been listed on the NASDAQ since December 2009. FunTalk China has provided future earnings guidance of approximately 30% growth for the next reporting period, which the management of FunTalk China deem highly achievable considering its strong brand name and extensive retail network in China.

***Gross Profit Margin***

As part of the Group's mid-term strategy to capture different market segments and to penetrate into middle and lower-tier hospitals, the management has decided to lower the pricing of its medical devices by 25% since the end of 2008. Hence the Group's gross profit margin has declined slightly by 8 percentage points to 60% during the review period.

The management does not intend to adjust its current pricing in the near term and the Group intends to maintain a stable gross profit margin across the board in different business areas in the medium term.

***Selling and Administrative Expenses***

Selling and administrative expenses increased by 163% during the year to HK$108,099,000, mostly affected by a one-off write-back of HK$30,493,000 of provision for discretionary bonuses in the financial year ended 31 March 2009, and an expense of HK$26,985,000 incurred for the year ended 31 March 2010 as charges relating to the cost of share option grants. Excluding these items, the Group's actual selling and administrative expenses for year ended 31 March 2010 and 2009 would have been HK$81,114,000 million and HK$71,618,000 respectively, with the increase in the year under review mostly attributable to the Group's new business operations in hospital management and related costs for developing the medical insurance BPO operation. Both of these businesses have established new management teams and recruited new staff during the reporting period. Overall, the Group intends to maintain its cost structure at a reasonable level and deploy a prudent strategy in resource allocation and will implement stringent cost control measures.

### *Other Net Income/(Loss)*

During the review period, the Group reported HK$33,746,000 in other net income. This is mainly attributable to both realised and unrealised gains on the Group's treasury investments, as the global capital market has improved since the previous reporting period. The Group has ceased to actively engage in additional capital market investments since 2008.

### *Profit from Operations*

The Group's operating profit for the year under review amounted to HK$135,988,000, which represents a decrease of 12% compared to last year. Excluding the write-back of discretionary bonus provisions of HK$30,493,000 for the year ended 31 March 2009, the Group's operating profit increased by 10% compared to last year.

### *Fair Value Change of Financial Liabilities at Fair Value Through Profit or Loss*

In order to enhance the liquidity of the Company's shares, the Company issued convertible notes with a principal amount of US$25,200,000 and warrants with a principal amount of US$8,400,000. As at 31 March 2010, approximately 21.4% of the Company's convertible notes has been converted. The hospital management operation also issued 5% senior convertible notes with a principal amount of US$28,000,000 to fund its expansion plan in China.

As a result of the issuances of convertible notes and warrants, the Group has also recognised a non-cash expense of HK$102,357,000 mainly due to an increase in the share price of the Company. However, the Company has since seen significant improvement in its liquidity and share price performance.

### *Finance Costs*

For the year under review, finance costs have decreased to HK$7,999,000, compared to HK$13,091,000 in the previous year as a result of decrease in average interest rates as compared to the previous year.

### *Income Tax*

The Group's effective tax rate was 15% for the year under review where total income tax expenses for the year amounted to HK$23,960,000, up 13% from that of the previous year.

***Profit Attributable to Equity Holders***

The strong performance of the various business segments this year has been watered-down by a non-cash expense of HK$102,357,000 arising from expenses related to the Group's issuances of convertible notes and warrants. The Group's profit attributable to equity shareholders amounted to HK$116,412,000, representing an increase of 104%. On an adjusted basis, excluding the non-cash financial expense for the issuances of convertible notes and warrants, the adjusted profit attributable to equity shareholders increased by 283% to HK$218,769,000.

***Share Repurchase and Dividend Policy***

The management did not engage in share repurchases during the reporting period, although creating value and enhancing returns to shareholders have always been the ultimate goal of the management.

The Board did not recommend any final dividend during the reporting period, but will consider ways to enable shareholders to share the Group's achievements in the future.

***Capital Structure, Liquidity and Financial Resources***

*Assets and shareholders' interests*

The Group's total current assets and total assets amounted to HK$1,044,652,000 and HK$4,727,932,000 respectively as at 31 March 2010 (2009: HK$1,222,081,000 and HK$4,113,852,000, respectively), while total equity attributable to equity shareholders of the Company stood at HK$3,308,260,000 (2009: HK$3,180,360,000).

*Liquidity and financial resources*

The Group has always maintained a sound financial position with sufficient cash and access to financial resources to satisfy future operational expenses. At the end of the financial year, the Group's cash and bank balances stood at HK$826,157,000 (2009: HK$811,318,000). Total interest-bearing liabilities amounted to HK$759,438,000 (2009: HK$349,166,000).

*New share issuance and placement of convertible notes*

The Company issued convertible notes with a principal amount of US$25,200,000 and warrants with a principal amount of US$8,400,000 during the year under review. Proceeds raised are intended for general working capital purposes as well as for funding future investment opportunities. As at 31 March 2010, of 21.4% of such convertible notes has been converted into ordinary shares.

The hospital management operation also issued 5% senior convertible notes with a principal amount of US$28,000,000 to fund its expansion plan in China.

*Treasury policies*

The Group adopts prudent treasury policies. To reduce exposure to credit risks, the Group performs regular credit evaluations on the financial positions of its customers. To manage liquidity risks, the management closely monitors its liquidity structure to ensure it can satisfy funding requirements.

*Gearing Ratio*

As at the end of the financial year, the Group's gearing ratio, calculated as a percentage of total interest-bearing liabilities over total equity, was 21.2%, which increased by 11.4 percentage points over the last financial year mainly as a result of convertible notes and warrants issuances which took place in 2009. In the long run, the management is committed to maintain a gearing ratio between the range 20% and 30%.

*Exchange Rate Risk*

The Group's sales and purchases are mainly conducted in Renminbi. The Group's main assets and liabilities are also denominated in Renminbi. The management believes that the trend in the appreciation of Renminbi will benefit the Group and currency hedging arrangements are currently not necessary.

*Charges on the Group's Assets*

As at the end of the financial year, the total net book value of the assets charged as security for bank loans amounted to HK$112,387,000 (2009: HK$120,938,000).

*Employees*

As at 31 March 2010, the Group, including subsidiaries but excluding associates and jointly controlled entities, employed 373 full-time employees in Mainland China and Hong Kong. During the year under review, the Group incurred staff costs (including Directors' remuneration and contributions to mandatory provident funds) of HK$48,550,000 from its continuing operations.

# Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 March 2010.

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

This report addresses the status of the Company's compliance with the principles and provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "GEM CG Code") and, where appropriate, the principles and provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Main Board Listing Rules (the "Main Board CG Code" and, together with the "GEM CG Code", are hereafter called the "CG Code") subsequent to the transfer of listing of the Company's shares from GEM to the Main Board on 16 June 2009 (the "Transfer Date").

## 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 GEM CG Code and the Main Board CG Code and complied with all the Code Provisions throughout the year ended 31 March 2010, except for Code Provision A.2.1 of the GEM CG Code and the Main Board CG Code. It has also put in place certain Recommended Best Practices. The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the GEM CG Code and the Main Board CG Code.

### *The Board*

#### *Responsibilities*

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

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

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

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

*Composition*

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

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

*Executive Directors:*

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

*Independent Non-Executive Directors:*

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

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time, and to the Main Board Listing Rules after the Transfer Date.

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

*Independent Non-Executive Directors*

Throughout the year ended 31 March 2010, the Company met the requirement of the GEM Listing Rules and Main Board 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 Board has received from each Independent Non-Executive Director a written annual confirmation of independence pursuant to the Main Board Listing Rules and considers the Independent Non-Executive Directors to be independent.

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

*Appointment and Succession Planning of Directors*

Pursuant to the GEM CG Code and the Main Board 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 Company does not have a nomination committee. However, the Company follows a formal, considered and transparent procedure for appointing new Directors or nominating suitable candidates for approval of the shareholders either to fill the vacancies caused by the resignation of Directors or to appoint additional Directors.

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

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

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

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

In accordance with the Company's Articles of Association, Ms JIN Lu, Prof. CAO Gang and Prof. Gu Qiao shall retire by rotation at the annual general meeting of the Company to be held on 9 September 2010 and, being eligible, offer themselves for re-election. The Board recommends the re-appointment of the said Directors, whose biographical details are contained in the circular sent to the shareholders together with this annual report.

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

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

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

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

No new Director was appointed during the year ended 31 March 2010.

### *Training for Directors*

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

### *Chairman and Chief Executive Officer*

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

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

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

### *Board Meetings*

Regular Board meetings are held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2010, nine Board meetings were held.

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

| | **Attendance/Number of Meetings** | | | |
|---|---|---|---|---|
| **Directors** | **Board** | **Audit Committee** | **Remuneration Committee** | **Executive Committee** |
| *Executive Directors:* | | | | |
| Mr. KAM Yuen *(Chairman)* | 9/9 | N/A | N/A | 1/1 |
| Ms. JIN Lu | 9/9 | N/A | N/A | N/A |
| Mr. LU Tian Long | 9/9 | N/A | N/A | N/A |
| Ms. ZHENG Ting | 9/9 | N/A | N/A | 1/1 |
| *Independent Non-Executive Directors:* | | | | |
| Prof. CAO Gang | 9/9 | 2/2 | 2/2 | N/A |
| Mr. GAO Zong Ze | 9/9 | 2/2 | 2/2 | N/A |
| Prof. GU Qiao | 9/9 | 2/2 | 2/2 | N/A |

*Conduct of Meetings*

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

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

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

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

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

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

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

*Audit Committee*

The Company established an audit committee (the "Audit Committee") in December 2001 and has formulated its written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules while it was listed on GEM. The Board has reviewed the terms of reference of the Audit Committee after the Transfer Date and confirmed that the terms of reference are in compliance with paragraph C.3.3 of the Main Board CG Code.

The Audit Committee's primary duties include the following:

- to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to assess their independence and performance, and also to approve the remuneration and terms of engagement of the external auditors;
- to review the Company's financial statements and make sure that they are complete, accurate and fair before submission to the Board;

- to consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors;
- to ensure compliance with the applicable accounting standards and regulatory requirements on financial reporting and disclosure; and
- to ensure effectiveness of the financial reporting process, as well as internal controls and risk management systems of the Group and to monitor the integrity thereof.

The Audit Committee held two meetings during the year ended 31 March 2010. Working closely with the management of the Company, the Audit Committee has reviewed the Company's annual and interim results, the accounting principles and practices adopted by the Group, discussed with the Board and management on internal controls, risk management and financial reporting matters, and reviewed the independence and performance of the external auditors. The Company's annual results for the year ended 31 March 2010 have been reviewed by the Audit Committee.

*Executive Committee*

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

*Remuneration Committee*

The Company established a remuneration committee (the "Remuneration Committee") in June 2005 with written terms of reference in compliance with paragraph B.1.3 of the GEM CG Code. 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 Main Board CG Code.

The principal responsibilities of the Remuneration Committee include the following:

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

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

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

*Internal Controls*

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

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

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

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

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

*Directors' Securities Transactions*

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for securities dealings by Directors before the Transfer Date.

The Company has adopted the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Main Board Listing Rules as its own code of conduct regarding Directors' securities transactions with effect from the Transfer Date for replacing the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company while it was listed on GEM. Specific enquiries by the Company indicate that all Directors have complied with the required standard of dealings for the year ended 31 March 2010.

*Accountability and Audit*

The Board is responsible for presenting a balanced, clear and understandable assessment of the Group's financial position and prospects. In preparing the financial statements for the year ended 31 March 2010, the Directors have selected suitable accounting policies and applied them consistently. The Directors have also made judgements and estimates that are prudent and reasonable and have prepared the financial statements on a going concern basis. There are no material uncertainties or events that may cast significant doubt on the Company's ability to continue as a going concern.

KPMG, the external auditors of the Company, acknowledge their responsibilities for the audit of the financial statements of the Company for the year ended 31 March 2010 in the Independent Auditor's Report included in this annual report.

For the year ended 31 March 2010, the fees payable to the external auditors for audit services were HK$4,045,000 and fees payable for other services were HK$201,000.

*Investor Relations*

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

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

Separate resolutions were proposed at general meetings on each substantially separate issue. Details of the poll voting procedures were included in the circulars sent to the shareholders at least 14 days before a general meeting and 21 days before the annual general meeting.

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

# Biographical Details of Directors and Senior Management

## DIRECTORS

### *Executive Directors*

Mr. KAM Yuen (甘源), aged 48, is the Chairman, Chief Executive Officer and Compliance Officer of the Company, and the founder of the Group. Mr. Kam is also a Director of several subsidiaries of the Company. He is responsible for the Group's overall strategic planning. Mr. Kam graduated from the Beijing Second Foreign Languages Institute, the PRC (北京第二外國語學院), in 1985 and has over 20 years of management experience in international business. Mr. Kam is the sole director of Bio Garden Inc., which has an interest in the share capital of the Company as disclosed under the provisions of Part XV of the Securities and Futures Ordinance.

Ms. JIN Lu (金路), aged 44, is an Executive Director of the Company and a Director of several of its subsidiaries. She joined the Group in June 2000 and is in charge of the general administration and daily operations of the Group. Ms. Jin received her EMBA degree from Peking University's Guanghua School of Management, the PRC (北京大學光華管理學院), in 2005, and received her bachelor's degree from the Beijing Second Foreign Languages Institute, the PRC, (北京第二外國語學院) in 1987.

Mr. LU Tian Long (魯天龍), aged 58, has been an Executive Director of the Company since September 2001. He is now the Chairman of the medical devices operation. He has been responsible for the production, operations and overall management of the medical devices operation for years and has extensive experiences in managing high-tech firms. He was granted a PhD. degree in business administration by the Victoria University of Switzerland in 2008. Besides, he published many research reports and thesis on management of high-tech enterprises, including one focusing on "applying knowledge management for strategic development among China's high-tech firms".

Ms. ZHENG Ting (鄭汀), aged 38, is an Executive Director of the Company and a Director of several of its subsidiaries. She is responsible for the Group's financial and internal control systems. Ms. Zheng is also the Chief Executive Officer of China Cord Blood Corporation and is responsible for the strategic management of that segment. Ms. Zheng joined the Group in September 2001. She graduated from the Chinese People's University, the PRC, (中國人民大學) in 1996.

### *Independent Non-executive Directors*

Prof. CAO Gang (曹岡), aged 66, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee. He joined the Group in September 2004. Prof. Cao is a professor of Accountancy. He qualified as one of the first group of registered accountants in the PRC in 1983 and is currently a committee member of the Examination Committee of the Association of the Registered Accountants of the PRC.

Mr. GAO Zong Ze (高宗澤), aged 70, is an Independent Non-executive Director, a member of the Audit Committee and the Chairman of the Remuneration Committee. He joined the Group in September 2001. Mr. Gao is a qualified lawyer in the PRC, and has been a National Committee member of China's Chinese People's Political Consultative Conference (中華人民政治協商會議) and the president of the All China Lawyers' Association, the PRC (中華全國律師協會). Mr. Gao graduated from the Graduate School of the China Academy of Social Sciences, the PRC, (中國社會科學院) in 1981.

Prof. GU Qiao (顧樵), aged 63, is an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee. He joined the Group in September 2001. Prof. Gu is a scientist in quantum-optics, biophysics and biological photonics and an Associate Professor of the Northwest University, the PRC (中國西北大學). He is also a member of the International Institute of Biophysics, Germany. Prof. Gu received his doctoral degree from the Northwest University, the PRC, in 1989.

## TECHNOLOGY DEVELOPMENT ADVISORY BOARD

The Group established a technology development advisory board (the "Technology Board") in 2000. As at 31 March 2010, the Technology Board comprised more than 40 experienced medical officers. The primary responsibilities of the Technology Board are (i) to develop the Group's key technology strategies; (ii) to monitor the progress of major technology programmes; and (iii) to review proposals for the development of new products and production technologies. The five core members of the Technology Board are Prof. ZHANG Ming Li, Chairman of the Technology Board, Prof. PEI Xue Tao, Prof. WANG Bao Guo, Prof. TIAN Ming and Prof. LU Dao Pei.

Prof. ZHANG Ming Li (張明禮) is the Chairman of the Technology Board. He graduated from Peking University, and is a cardiac and thoracic specialist. Prof. Zhang received the "Beijing Municipal Technology Progress Award" in 1986 for his invention of a flow rate monitor of extracorporeal circulation pump, an automatic pressure releasing device, and the blood pressure monitoring and controlling equipment. He is currently the Chief Cardiothoracic Surgeon of Peking University First Hospital, supervisor to doctorate candidates at the Department of Medical Sciences of Peking University, an evaluation specialist on the Medical Equipment Evaluation Committee, a medical project evaluation specialist for the National Invention Foundation (國家創新基金醫療項目), and Instructor-in-charge of the "National Autologous Blood Recovery Technology Course", a national medical continuous-learning project.

Prof. PEI Xue Tao (裴雪濤) is the Director of the Field Blood Transfusion Research Institue of the Military Medical Science University (軍事醫學科學院野戰輸血研究所) and the Director of the Stem Cell Research Center (幹細胞研究中心). He is also the Deputy Director of Chinese Society for Blood Transfusion, the Deputy Director of Chinese Society for Experimental Haematology. He received his doctorate degree from the Military Medical Science University in 1997.

Prof. WANG Bao Guo (王保國) is a professor and supervisor of doctorate candidates of the Department of Anesthesiology, Capital University of Medical Sciences. He is also President in charge of medical services and Chief Anesthesiologist of Beijing Sanbo Neurosurgery Hospital (北京三博腦科醫院). In addition, he serves as a councilor of the Beijing Society of Blood Transfusion, a member of the Expert Committee for Medical Accident Appraisals in Beijing. He was granted a number of awards by the Beijing Municipal Government in recognition of his accomplishments in scientific research.

Prof. TIAN Ming (田鳴) is the Chief Anesthesiologist of the Beijing Friendship Hospital (北京友誼醫院). He graduated from the China Medical University, the PRC, with a doctorate degree in Anaesthesiology in 1996. He has a solid background in the field of Anaesthesiology and has cooperated on numerous occasions with cardiac surgeons from the U.S., the U.K., Japan and Italy. In addition to publishing articles on his specialty, he is also involved in research in autologous blood transfusions. Prof. Tian has substantial experience in teaching and received two outstanding teacher's awards in 2000.

Prof. LU Dao Pei (陸道培) is a haematologist and expert in bone marrow transplants. He is currently an academician of the Chinese Academy of Engineering, Vice Chairman of the Chinese Medical Association ("CMA") (中華醫學會), as well as Chairman of the CMA's Council of Haematology. He is considered to be the founder and the primary driving force of blood stem cell research in the PRC. Prof. Lu was also the first to prove to the international community that the independent application of the realgar herb could cure acute myelogenous leukemia. Prof. Lu has received the prestigious China Science and Technology Progress Award and a number of other top scientific awards.

## SENIOR MANAGEMENT

Mr. LU Shu Qi (路書奇), aged 62, Deputy General Manager of the medical devices operation, is responsible for the production, general management and daily operations of this segment. He graduated from Tsinghua University (清華大學), the PRC, and has over 20 years of management experience in production.

Mr. KONG Kam Yu (江金裕), aged 41, is the Qualified Accountant and Company Secretary of the Company. He joined the Group in 2001, and is responsible for the Group's finances, corporate projects and company secretarial matters. Prior to joining the Group, Mr. Kong worked with a leading international accounting firm.

Ms. CUI Qi (崔琪), aged 57, Deputy General Manager and Finance Manager of the medical devices operation, is currently in charge of financial systems of this segment. She graduated from the Finance and Accounting Department of the Beijing Western District Employees' University, the PRC (北京西城區職工大學) and is a registered accountant in the PRC.

Mr. LIANG Bing Yue (梁冰岳), aged 45, is the General Manager of the medical devices operation. Mr. Liang graduated from the Fourth Military Medical University of the People's Liberation Army, the PRC (解放軍第四軍醫大學) in 1989. He has over 10 years of sales and marketing experiences in the medical industry in the PRC and has a thorough understanding of the PRC's medical industry. He is highly experienced in designing sales and marketing strategies and opening up new sales channels.

Mr. SHAO Bao Ping (邵寶平), aged 44, Chief Executive Officer of the natural herbal medicine operation, is in charge of the natural herbal medicine operation's daily operations . Mr. Shao obtained his master's degree from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences and has extensive work experience in the fields of pharmacology and herbal medicine. Mr. Shao has held key position in well-known enterprises in the PRC and has extensive corporate management experience.

Mr. JING Jian Zhong (經建中), aged 56, is the Vice President of the Group and Chief Executive Officer of the GM-Medicare operation and is responsible for the overall operation of GM-Medicare. He graduated from the Shanghai University of Chinese Medicines and has 15 years of investment and business development experiences in healthcare industry in addition to 20 years of clinical practices and teaching.

Ms. DUAN Xuan (段萱), aged 46, is the President of Beijing Dao Pei Hospital, Managing Director of Shanghai Dao Pei Hospital and Executive Vice-Chairman of China Private Hospital Development League (中國民營醫院發展聯盟). Ms. Duan graduated with her BA degree from the Beijing Capital University of Medical Sciences, and obtained her MBA degree from the Cheung Kong Graduate School of Business. She ever worked for years as a doctor with Internal Medicine Department of Chao Yang Hospital and Haematology Department the Peking University Renmin Hospital. In 2007, she was hired as an expert consultant of China Marrow Donor Program by Beijing Red Cross Association.

Mr. ZHANG Jing Feng (張錦鋒), aged 46, is the Chief Executive Officer of the hospital management operation and is responsible for its daily operation and management. Mr. Zhang graduated from Shanghai Jiao Tong University with degree in clinical medicines and has over 20 years of relevenat experiences working as a doctor in a Triple-A hospital and in business management. He used to serve as Director of Shanghai Center for Clinical Laboratory and Deputy General Manager of a domestically-listed high-tech firm.

# Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements of Golden Meditech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010.

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 19 to the financial statements.

An analysis of the Group's turnover, profit, assets and liabilities by operating segments is set out in note 15 to the financial statements.

Listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") commenced on 28 December 2001. On 16 June 2009, the listing of the Company's shares was transferred from the GEM to the Main Board of the Stock Exchange.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the extraordinary general meeting held on 15 March 2010, the Company changed its name from "Golden Meditech Company Limited" (金衛醫療科技有限公司) to "Golden Meditech Holdings Limited" (金衛醫療集團有限公司) in order to better reflect the diversity and depth of the Group's healthcare businesses.

## 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 | 60% | |
| Five largest customers in aggregate | 96% | |
| The largest supplier | | 27% |
| Five largest suppliers in aggregate | | 89% |

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

## FINANCIAL STATEMENTS

The profit and cash flows of the Group for the year ended 31 March 2010 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 46 to 155 of this annual report.

## RESERVES AND DIVIDENDS

Profits attributable to equity shareholders of the Company of HK$116,412,000 (2009: HK$57,089,000) have been transferred to reserves. Other movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 53 of this annual report.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2010 (2009: HK$Nil).

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,000,000 (2009: HK$2,721,000).

## FIXED ASSETS

Details of the movements in fixed assets are set out in note 16 to the financial statements.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 36(b) to the financial statements.

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

During the year ended 31 March 2010, 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 Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer shares on a pro-rata basis to the existing shareholders.

## DIRECTORS

The directors during the financial year were:

### *Executive Directors*

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

### *Independent Non-Executive Directors*

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

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

The biographical details of the directors and senior management are set out on pages 28 to 31 of this annual report. Details of the emoluments of the directors and the five highest paid individuals are set out in notes 9 and 10 to the financial statements, respectively.

## DIRECTORS' SERVICE CONTRACTS

### *Executive Directors*

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

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

### *Independent Non-Executive Directors*

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

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

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

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

As at 31 March 2010, the interests and short positions of the directors and chief executives of the Company in the shares and, in respect of equity derivatives, underlying shares in, and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

### *(a) The Company*

| | | Long positions Number of ordinary shares of HK$0.1 each | | | |
|---|---|---|---|---|---|
| **Name of directors** | **Capacity and nature of interests** | **Number of ordinary shares of HK$0.1 each** | **Number of underlying shares held under equity derivatives** | **Total interests** | **Approximate percentage of the Company's issued share capital** |
| Mr. KAM Yuen | Founder of trusts | 372,084,000[(1)] | — | 372,084,000 | 22.86% |
| | Beneficial owner | — | 67,006,245[(2)] | 67,006,245 | 4.12% |
| Ms. JIN Lu | Beneficial owner | — | 3,800,000[(2)] | 3,800,000 | 0.23% |
| Mr. LU Tian Long | Beneficial owner | — | 6,000,000[(2)] | 6,000,000 | 0.37% |
| Ms. ZHENG Ting | Beneficial owner | — | 7,600,000[(2)] | 7,600,000 | 0.47% |

Notes:

(1) Mr. KAM Yuen was deemed under the SFO to have an interest in 372,084,000 shares beneficially owned by Bio Garden Inc. ("Bio Garden"), a company incorporated in the British Virgin Islands ("BVI"), as at 31 March 2010 by virtue of his being the founder of certain discretionary trusts which owned the entire issued share capital of Bio Garden.

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION *(Continued)*

### *(b) China Cord Blood Corporation ("CCBC"), an associate of the Company as at 31 March 2010*

| | Number of ordinary shares of US$0.0001 each | | | |
|---|---|---|---|---|
| **Name of directors** | **Capacity and nature of interests** | **Number of ordinary shares of US$0.0001 each** | **Total interests** | **Approximate percentage of the issued share capital of CCBC** |
| Mr. KAM Yuen | Beneficial owner | 357,331 | 357,331 | 0.54% |
| Ms. ZHENG Ting | Beneficial owner | 1,071,994 | 1,071,994 | 1.61% |

Save as disclosed above, as at 31 March 2010, none of the directors or the chief executives of the Company or their respective associates had any interests or short positions in the shares or, in respect of equity derivatives, underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEMES

### (a) *Share option schemes of the Company*

The principal terms of the share option schemes of the Company are summarised in note 38(a) to the financial statements. The share option schemes have been terminated and no further share options will be granted under the schemes. In respect of the share options previously granted and which remained exercisable on or before the dates of termination, they shall continue to be exercisable subject to the terms of the share option schemes.

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

| Name of directors and employees | Date of grant | Number of underlying shares in respect of which share options were outstanding as at 1 April 2009 | Share options granted during the year ended 31 March 2010 | Number of underlying shares in respect of which share options were outstanding as at 31 March 2010 | Exercise price | Market value per share at grant date |
|---|---|---|---|---|---|---|
| | | | | | HK$ | HK$ |
| Mr. KAM Yuen | 30 March 2005[1] | 63,206,245 | — | 63,206,245 | 1.76 | 1.56 |
| | 27 April 2009[3] | — | 3,800,000 | 3,800,000 | 1.15 | 1.14 |
| Ms. JIN Lu | 27 April 2009[3] | — | 3,800,000 | 3,800,000 | 1.15 | 1.14 |
| Mr. LU Tian Long | 4 March 2005[2] | 400,000 | — | 400,000 | 1.60 | 1.60 |
| | 27 April 2009[3] | — | 5,600,000 | 5,600,000 | 1.15 | 1.14 |
| Ms. ZHENG Ting | 4 March 2005[2] | 2,000,000 | — | 2,000,000 | 1.60 | 1.60 |
| | 27 April 2009[3] | — | 5,600,000 | 5,600,000 | 1.15 | 1.14 |
| Full-time employees | 4 March 2005[2] | 11,870,000 | — | 11,870,000 | 1.60 | 1.60 |
| (other than directors) | 27 April 2009[3] | — | 44,200,000 | 44,200,000 | 1.15 | 1.14 |
| | | 77,476,245 | 63,000,000 | 140,476,245 | | |

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

## SHARE OPTION SCHEMES *(Continued)*

### (a) *Share option schemes of the Company* (Continued)

Notes:

(1) The share options are exercisable as to:

(i) up to 20% immediately after 6 months from the date of grant;

(ii) up to 60% immediately after 18 months from the date of grant;

(iii) up to 100% immediately after 30 months from the date of grant; and

(iv) the share options will expire at the close of business on 3 March 2015.

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

(3) The share options are exercisable as to:

(i) up to 30% immediately after the date of grant;

(ii) up to 60% immediately after 6 months from the date of grant;

(iii) up to 100% immediately after 12 months from the date of grant; and

(iv) the share options will expire at the close of business on 26 April 2019.

(4) No share options granted under the share option schemes of the Company were exercised, cancelled or lapsed during the year ended 31 March 2010.

## SHARE OPTION SCHEMES *(Continued)*

### *(b) Share option scheme of China Stem Cells Holdings Limited ("CSC"), a subsidiary of the Company up to 30 June 2009*

The Company's shareholders approved at the extraordinary general meeting held on 21 September 2006 the adoption of a share option scheme by CSC (the "CSC Scheme"). The CSC Scheme became effective on 21 September 2006 (the "Effective Date"). Principal terms of the CSC Scheme are summarised in note 38(b) to the financial statements.

A summary of share options granted under the CSC Scheme is as follows:

| Name of directors and employees | Date of grant | Number of underlying shares in respect of which share options were outstanding as at 1 April 2009 | Share options exercised during the year ended 31 March 2010 | Number of underlying shares in respect of which share options were outstanding as at 31 March 2010 | Exercise price |
|---|---|---|---|---|---|
| | | | | | HK$ |
| Mr. KAM Yuen | 21 September 2006[1] | 10,000 | 10,000 | — | 450 |
| Ms. ZHENG Ting | 21 September 2006[1] | 30,000 | 30,000 | — | 450 |
| Full-time employees (other than directors) | 21 September 2006[1] | 60,000 | 60,000 | — | 450 |
| | | 100,000 | 100,000 | — | |

Notes:

(1) The share options are exercisable as to:

- (i) up to 30% immediately from the Effective Date;
- (ii) up to 60% immediately after 12 months from the Effective Date;
- (iii) up to 100% immediately after 18 months from the Effective Date; and
- (iv) the share options will expire at the close of business on 27 August 2016.

(2) Upon the completion of the disposal of CSC on 30 June 2009, all share options outstanding under the CSC Scheme were amended to become options to purchase shares of CCBC, with each option to purchase one share of US$1.00 of CSC under the CSC Scheme to purchase 35.73314 ordinary shares of US$0.0001 each of CCBC.

All the option holders of the 100,000 share options then outstanding under the CSC Scheme exercised their options in full at an exercise price of HK$450 per option and a total of 3,573,314 ordinary shares of US$0.0001 each of CCBC were issued to such option holders in lieu of shares in CSC on 30 June 2009.

## SHARE OPTION SCHEMES *(Continued)*

### *(b) Share option scheme of China Stem Cells Holdings Limited ("CSC"), a subsidiary of the Company up to 30 June 2009* (Continued)

Information on the accounting policy for the share options granted and the weighted average value per option is provided in note 2(r)(ii) and note 38 to the financial statements, respectively.

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 2010, the interests and short positions of the shareholders (not being directors or the chief executives of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

### *(a) Long positions of substantial shareholders*

| Name | Capacity and nature of interest | No. of issued shares | Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| Bio Garden(1) | Beneficial owner | 372,084,000(6) | 22.86% |
| Credit Suisse Trust Limited(2) | Trustee | 372,084,000(6) | 22.86% |
| Newcorp Ltd.(3) | Interest of controlled corporation | 372,084,000(6) | 22.86% |
| Mr. Kent C. McCarthy(4) | Investment manager | 397,221,604 | 24.40% |

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

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

| Name of other persons who have more than 5% interest | Capacity and nature of interest | No. of issued shares/ underlying shares | Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| Jayhawk Private Equity Fund II, L.P.(4) | Investment manager | 105,583,600 | 6.49% |
| Jayhawk Private Equity Fund, L.P.(4) | Investment manager | 121,592,027 | 7.47% |
| JPMorgan Chase & Co. | 10,000,000 shares as beneficial owner, 4,024,000 shares as investment manager and 115,882,897 shares as custodian corporation/ approved lending agent | 129,906,897 | 7.98% |
| Evenstar Capital Management Limited(5) | Investment manager | 115,788,632<br>2,800,000(S)(7) | 7.11%<br>0.17% |
| Evenstar Master Fund SPC, on behalf of Evenstar Master Sub-Fund I Segregated Portfolio(5) | Beneficial owner | 115,788,632<br>2,800,000(S)(7) | 7.11%<br>0.17% |
| Martin Currie (Holdings) Limited | Interest of controlled corporation | 129,028,000 | 7.93% |

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

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

Notes:

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

(2) The corporate substantial shareholder notice filed by Credit Suisse Trust Limited indicated that Gold Rich Investment Limited ("Gold Rich") and Gold View Investment Limited ("Gold View") had, in aggregate, a 36% interest in Bio Garden which beneficially owned 372,084,000 shares as at 31 March 2010. Gold Rich and Gold View were in turn indirectly wholly-owned by Credit Suisse Trust Limited as trustee of certain discretionary trusts as referred to in (1) above. Accordingly, Credit Suisse Trust Limited was deemed, under the SFO, to have an interest in the 372,084,000 shares held by Bio Garden.

(3) The corporate substantial shareholder notice filed by Newcorp Ltd. indicated that Golden Fountain Investments Limited ("Golden Fountain") had a 64% interest in Bio Garden which beneficially owned 372,084,000 shares as at 31 March 2010. Golden Fountain was in turn an indirect wholly-owned subsidiary of Newcorp Ltd. Accordingly, Newcorp Ltd. was deemed, under the SFO, to have an interest in the 372,084,000 shares held by Bio Garden.

(4) The interest disclosed by Mr. Kent C. McCarthy includes 121,592,027 shares held by Jayhawk Private Equity Fund, L.P. and 105,583,600 shares held by Jayhawk Private Equity Fund II, L.P.

(5) The corporate substantial shareholder notice filed by Evenstar Master Fund SPC indicated that it is wholly-owned by Evenstar Capital Management Limited.

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

(7) "(S)" denotes short positions.

Save as disclosed above, as at 31 March 2010, the directors are not aware of any other person or corporation having an interest or short position in the shares or underlying shares of the Company representing 5% or more of the issued share capital of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the GEM from 1 April 2009 to 15 June 2009 and under the Listing Rules since 16 June 2009 and up to the date of this annual report.

## DIRECTORS' INTERESTS IN CONTRACTS

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

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 March 2010 are set out in notes 31, 32 and 35 to the financial statements.

## RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in note 42 to the financial statements.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 156 and 157 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 27 of this annual report.

## COMPETITION AND CONFLICT OF INTERESTS

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

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, namely Prof. CAO Gang, Mr. GAO Zong Ze and Prof. GU Qiao, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the Independent Non-Executive Directors to be independent.

## AUDITORS

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

By order of the Board

**KAM Yuen**
*Chairman*
Hong Kong, 22 July 2010

# Independent Auditor's Report

KPMG

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

(formerly Golden Meditech Company Limited)
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Golden Meditech Holdings Limited (the "Company") set out on pages 46 to 155, which comprise the consolidated and Company balance sheets as at 31 March 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

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

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**KPMG**
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
22 July 2010

# Consolidated Income Statement

*for the year ended 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | Note | 2010 | 2009 |
|---|---|---|---|
| | | | (restated) |
| | | $'000 | $'000 |
| **Continuing operations** | | | |
| **Turnover** | 4 | **285,467** | 276,535 |
| Cost of sales | | **(112,823)** | (89,837) |
| **Gross profit** | | **172,644** | 186,698 |
| Other revenue | 5 | **37,697** | 49,776 |
| Other net income/(loss) | 6 | **33,746** | (41,005) |
| Selling expenses | | **(4,962)** | (8,772) |
| Administrative expenses | | **(103,137)** | (32,353) |
| **Profit from operations** | | **135,988** | 154,344 |
| Finance costs | 7(a) | **(7,999)** | (13,091) |
| Changes in fair value of financial liabilities at fair value through profit or loss | 35 | **(102,357)** | — |
| Gain on deemed disposal of partial interests in associates | 20 | **47,542** | — |
| Share of profits less losses of associates | 20 | **9,150** | (132,606) |
| Share of profits of jointly controlled entities | 21 | **76,031** | 47,985 |
| **Profit before taxation** | 7 | **158,355** | 56,632 |
| Income tax | 8(a) | **(23,960)** | (21,118) |
| **Profit for the year from continuing operations** | | **134,395** | 35,514 |
| **Discontinued operation** | | | |
| (Loss)/profit for the year from discontinued operation | 11 | **(10,405)** | 44,822 |
| **Profit for the year** | | **123,990** | 80,336 |

# Consolidated Income Statement

*for the year ended 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | Note | 2010<br>$'000 | 2009<br>(restated)<br>$'000 |
|---|---|---|---|
| **Attributable to:** | | | |
| Equity shareholders of the Company | 12 | | |
| – From continuing operations | | **138,237** | 35,514 |
| – From discontinued operation | | **(21,825)** | 21,575 |
| | | **116,412** | 57,089 |
| Minority interests | | | |
| – From continuing operations | | **(3,842)** | — |
| – From discontinued operation | | **11,420** | 23,247 |
| | | **7,578** | 23,247 |
| Profit for the year | | **123,990** | 80,336 |
| **Earnings/(loss) per share** | 14 | | |
| Basic (in cents) | | | |
| – From continuing and discontinued operations | | **7.2** | 3.7 |
| – From continuing operations | | **8.6** | 2.3 |
| – From discontinued operation | | **(1.4)** | 1.4 |
| Diluted (in cents) | | | |
| – From continuing and discontinued operations | | **6.8** | 3.6 |
| – From continuing operations | | **8.2** | 2.3 |
| – From discontinued operation | | **(1.4)** | 1.3 |

The notes on pages 56 to 155 form part of these financial statements.

# Consolidated Statement of Comprehensive Income

*for the year ended 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | Note | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|---|
| **Profit for the year** | | **123,990** | 80,336 |
| **Other comprehensive income for the year (after tax and reclassification adjustments)** | | | |
| Exchange reserve: net movement during the year, net of nil tax | 13 | **6,838** | 17,176 |
| Fair value reserve: net movement during the year, net of nil tax | 13 | **7,286** | (146,341) |
| Share of other comprehensive income of jointly controlled entities, net of nil tax | | **4,280** | (4,263) |
| Share of other comprehensive income of associates, net of nil tax | | **4,824** | — |
| **Total comprehensive income for the year** | | **147,218** | (53,092) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **134,914** | (90,188) |
| Minority interests | | **12,304** | 37,096 |
| **Total comprehensive income for the year** | | **147,218** | (53,092) |

The notes on pages 56 to 155 form part of these financial statements.

# Consolidated Balance Sheet

*at 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | Note | 2010 | | 2009 | |
|---|---|---|---|---|---|
| | | **$'000** | **$'000** | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Fixed assets | 16(a) | | | | |
| – Property, plant and equipment | | | **171,435** | | 410,479 |
| – Interests in leasehold land held for own use under operating leases | | | **4,200** | | 4,290 |
| | | | **175,635** | | 414,769 |
| Intangible assets | 17 | | **821,096** | | 84,079 |
| Goodwill | 18 | | **427,625** | | 67,169 |
| Interests in associates | 20 | | **1,026,286** | | 518,715 |
| Interests in jointly controlled entities | 21 | | **722,418** | | 712,639 |
| Available-for-sale equity securities | 22 | | **110,633** | | 143,260 |
| Other financial assets | 23 | | **396,180** | | 944,346 |
| Deferred tax assets | 33(b) | | **3,407** | | 6,794 |
| | | | **3,683,280** | | 2,891,771 |
| **Current assets** | | | | | |
| Other investments | 24 | **77,951** | | 50,585 | |
| Inventories | 25(a) | **13,895** | | 58,121 | |
| Trade receivables | 26 | **102,175** | | 209,685 | |
| Other receivables, deposits and prepayments | 27 | **24,474** | | 88,117 | |
| Current taxation recoverable | 33(a) | **—** | | 4,255 | |
| Cash and bank balances | 28 | **826,157** | | 811,318 | |
| | | **1,044,652** | | 1,222,081 | |
| **Current liabilities** | | | | | |
| Trade payables | 29 | **93,682** | | 39,524 | |
| Other payables and accruals | 30 | **34,408** | | 67,599 | |
| Bank loans | 31 | **113,572** | | — | |
| Obligations under a finance lease | 32 | **926** | | 877 | |
| Current taxation payable | 33(a) | **12,366** | | 4,892 | |
| Amounts due to associates | 20 | **—** | | 15,616 | |
| | | **254,954** | | 128,508 | |
| **Net current assets** | | | **789,698** | | 1,093,573 |
| **Total assets less current liabilities** | | | **4,472,978** | | 3,985,344 |

## Consolidated Balance Sheet

*at 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | Note | 2010 | | 2009 | |
|---|---|---|---|---|---|
| | | **$'000** | **$'000** | $'000 | $'000 |
| **Non-current liabilities** | | | | | |
| Deferred income | 34 | **—** | | 84,039 | |
| Deferred tax liabilities | 33(b) | **205,274** | | — | |
| Financial liabilities at fair value through profit or loss | 35 | **457,573** | | — | |
| Other non-current liabilities | | **460** | | 15,494 | |
| Bank loans | 31 | **232,960** | | 345,704 | |
| Obligations under a finance lease | 32 | **1,659** | | 2,585 | |
| | | | **897,926** | | 447,822 |
| **NET ASSETS** | | | **3,575,052** | | 3,537,522 |
| **CAPITAL AND RESERVES** | | | | | |
| **Share capital** | 36(b) | | **162,765** | | 159,392 |
| **Reserves** | 36(c) | | **3,145,495** | | 3,020,968 |
| **Total equity attributable to equity shareholders of the Company** | | | **3,308,260** | | 3,180,360 |
| **Minority interests** | | | **266,792** | | 357,162 |
| **TOTAL EQUITY** | | | **3,575,052** | | 3,537,522 |

Approved and authorised for issue by the board of directors on 22 July 2010.

**KAM Yuen**
*Director*

**LU Tian Long**
*Director*

The notes on pages 56 to 155 form part of these financial statements.

# Balance Sheet

*at 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | Note | 2010 | | 2009 | |
|---|---|---|---|---|---|
| | | **$'000** | **$'000** | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 16(b) | | **4,072** | | 6,318 |
| Investments in subsidiaries | 19(a) | | **1,965,108** | | 772,304 |
| Amounts due from associates | 20 | | **14,941** | | — |
| Other financial assets | 23 | | **72,323** | | 809,687 |
| | | | **2,056,444** | | 1,588,309 |
| **Current assets** | | | | | |
| Other investments | 24 | **151** | | 120 | |
| Other receivables, deposits and prepayments | 27 | **3,470** | | 5,948 | |
| Cash and bank balances | 28 | **50,603** | | 29,864 | |
| | | **54,224** | | 35,932 | |
| **Current liabilities** | | | | | |
| Other payables and accruals | 30 | **7,652** | | 8,555 | |
| Obligations under a finance lease | 32 | **926** | | 877 | |
| Amounts due to associates | 20 | **—** | | 15,395 | |
| | | **8,578** | | 24,827 | |
| **Net current assets** | | | **45,646** | | 11,105 |
| **Total assets less current liabilities** | | | **2,102,090** | | 1,599,414 |
| **Non-current liabilities** | | | | | |
| Amount due to a subsidiary | 19(b) | **164,175** | | 56,402 | |
| Bank loans | 31 | **232,960** | | 232,492 | |
| Financial liabilities at fair value through profit or loss | 35 | **224,748** | | — | |
| Obligations under a finance lease | 32 | **1,659** | | 2,585 | |
| | | | **623,542** | | 291,479 |
| **NET ASSETS** | | | **1,478,548** | | 1,307,935 |

# Balance Sheet

*at 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | Note | **2010** | | 2009 | |
|---|---|---|---|---|---|
| | | **$'000** | **$'000** | $'000 | $'000 |
| **CAPITAL AND RESERVES** | | | | | |
| **Share capital** | 36(b) | | **162,765** | | 159,392 |
| **Reserves** | 36(c) | | **1,315,783** | | 1,148,543 |
| **TOTAL EQUITY** | | | **1,478,548** | | 1,307,935 |

Approved and authorised for issue by the board of directors on 22 July 2010.

**KAM Yuen**
*Director*

**LU Tian Long**
*Director*

The notes on pages 56 to 155 form part of these financial statements.

# Consolidated Statement of Changes in Equity

*for the year ended 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | | Attributable to equity shareholders of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital $'000 | Share premium $'000 | Capital redemption reserve $'000 | Capital reserve $'000 | Merger reserve $'000 | Exchange reserve $'000 | Surplus reserve $'000 | Fair value reserve $'000 | Other reserve $'000 | Retained profits $'000 | Total $'000 | Minority interests $'000 | Total equity $'000 |
| **Balance at 1 April 2008** | | 154,352 | 1,018,875 | 4,908 | 13,388 | 54,193 | 207,126 | 78,828 | 157,906 | (4,670) | 1,547,992 | 3,232,898 | 320,066 | 3,552,964 |
| **Changes in equity for 2009:** | | | | | | | | | | | | | | |
| Issue of shares | 36(b)(ii) | 6,000 | 51,474 | — | — | — | — | — | — | — | — | 57,474 | — | 57,474 |
| Shares repurchased and cancelled | 36(b)(iii) | (960) | (18,864) | 960 | — | — | — | — | — | — | (960) | (19,824) | — | (19,824) |
| Transfer to surplus reserve | | — | — | — | — | — | — | 2,302 | — | — | (2,302) | — | — | — |
| Total comprehensive income for the year | | — | — | — | — | — | 12,006 | — | (159,283) | — | 57,089 | (90,188) | 37,096 | (53,092) |
| **Balance at 31 March 2009 and 1 April 2009** | | 159,392 | 1,051,485 | 5,868 | 13,388 | 54,193 | 219,132 | 81,130 | (1,377) | (4,670) | 1,601,819 | 3,180,360 | 357,162 | 3,537,522 |
| **Changes in equity for 2010:** | | | | | | | | | | | | | | |
| Issue of shares upon conversion of convertible notes | 36(b)(iv) | 3,373 | 34,289 | — | — | — | — | — | — | — | — | 37,662 | — | 37,662 |
| Equity settled share-based payment expenses | | — | — | — | 26,985 | — | — | — | — | — | — | 26,985 | — | 26,985 |
| Acquisition of subsidiaries | 37(a) | — | — | — | — | — | — | — | — | — | — | — | 269,595 | 269,595 |
| Disposal of subsidiaries | 37(b) | — | — | — | (3,223) | — | — | — | — | 4,670 | (1,447) | — | (372,269) | (372,269) |
| Transfer to surplus reserve | | — | — | — | — | — | — | 9,124 | — | — | (9,124) | — | — | — |
| Share of other reserve of jointly controlled entities | | — | — | — | — | — | — | — | — | (71,661) | — | (71,661) | — | (71,661) |
| Total comprehensive income for the year | | — | — | — | — | — | 3,590 | — | 14,912 | — | 116,412 | 134,914 | 12,304 | 147,218 |
| **Balance at 31 March 2010** | | 162,765 | 1,085,774 | 5,868 | 37,150 | 54,193 | 222,722 | 90,254 | 13,535 | (71,661) | 1,707,660 | 3,308,260 | 266,792 | 3,575,052 |

The notes on pages 56 to 155 form part of these financial statements.

# Consolidated Cash Flow Statement

*for the year ended 31 March 2010*
*(Expressed in Hong Kong dollars)*

| | Note | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 28(b) | **307,709** | 102,074 |
| Tax paid: | | | |
| – The People's Republic of China ("PRC") | | | |
| Income Tax paid | | **(19,956)** | (48,744) |
| **Net cash generated from operating activities** | | **287,753** | 53,330 |
| **Investing activities** | | | |
| Payment for construction in progress | | **(5,453)** | (41,862) |
| Proceeds from disposal of property, plant and equipment | | **83** | 901 |
| Payment for acquisition of property, plant and equipment | | **(36,139)** | (40,812) |
| Cash advances to associates | | **(25,506)** | (3,304) |
| Payment for financial assets at fair value through profit or loss | | **(2,531)** | — |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **3,508** | 67,563 |
| Payment for available-for-sale equity securities | | **—** | (12,673) |
| Proceeds from disposal of available-for-sale equity securities | | **—** | 167,932 |
| Earnest money for acquisition of subsidiary | 23(b) | **(366,335)** | (411,666) |
| Net cash outflow from acquisition of subsidiaries | 37(a) | **(28,656)** | — |
| Net cash outflow from disposal of subsidiaries | 37(b) | **(256,555)** | — |
| Interest received | | **2,639** | 7,306 |
| Dividend received from associate | | **1,247** | — |
| Dividend received from investments in securities | | **2** | 6,750 |
| **Net cash used in investing activities** | | **(713,696)** | (259,865) |

| | Note | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Capital element of finance lease rentals paid | | **(877)** | (695) |
| Proceeds from issue of ordinary shares | 36(b)(ii) | **—** | 57,474 |
| Payment for repurchase of shares | 36(b)(iii) | **—** | (19,824) |
| Proceeds from new bank loans | | **50,951** | — |
| Repayment of bank loan | | **—** | (9,000) |
| Net proceeds from issue of convertible notes | | **400,692** | — |
| Interest element of finance lease rentals paid | | **(166)** | (174) |
| Interest paid on loans and other borrowings | | **(12,465)** | (23,657) |
| **Net cash generated from financing activities** | | **438,135** | 4,124 |
| **Net increase/(decrease) in cash and cash equivalents** | | **12,192** | (202,411) |
| **Cash and cash equivalents at beginning of the year** | | **811,318** | 997,747 |
| **Effect of foreign exchange rates changes** | | **2,647** | 15,982 |
| **Cash and cash equivalents at end of the year** | 28(a) | **826,157** | 811,318 |

The notes on pages 56 to 155 form part of these financial statements.

## 1 BACKGROUND

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### *(a) Statement of compliance*

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

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

### *(b) Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 March 2010 comprise the Company and its subsidiaries and the Group's interests in associates and jointly controlled entities.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 46.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(c) Subsidiaries and minority interests*

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

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

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Group, whether directly or indirectly through subsidiaries, 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. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

When the Group acquires any minority interests, no fair value adjustment is made to the identifiable net assets acquired. The excess of the purchase price over the carrying value of minority interests acquired is recognised in equity. Where the Group's interest in a subsidiary is decreased without losing control, any gain or loss on the partial disposal or deemed disposal is recognised in equity.

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(d) Associates and jointly controlled entities*

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

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

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(e) and (k)). 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. The Group's share of other post-acquisition changes of the investee's net assets are recognised in the consolidated statement of changes in equity.

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

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

### *(e) Goodwill*

Goodwill represents the excess of the cost of a business combination or an investment in an associate or jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)(ii)). In respect of associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associates and jointly controlled entities and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(k)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or jointly controlled entity is recognised immediately in profit or loss.

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

For investments in securities designated as at fair value through profit or loss or which are held for trading, any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(u)(v) and (vi).

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(g) Derivative financial instruments*

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

An embedded derivative is a component of a hybrid or combined instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when and only when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with notes 2(f), (m), (o) or (p) depending on the nature of the host contract.

### *(h) Property, plant and equipment*

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and impairment losses (see 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 (see note 2(w)).

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

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

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

No depreciation is provided for construction in progress.

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(i) Intangible assets (other than goodwill)*

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

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

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

| | |
|---|---|
| Management service contract rights | 30 years |
| Operating rights for cord blood banks | 30 years |

Both the period and method of amortisation are reviewed annually.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(j) Leased assets*

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

#### *(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the exception that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group or taken over from the previous lessee.

#### *(ii) Assets acquired under finance leases*

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

#### *(iii) Operating lease charges*

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(k) Impairment of assets*

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

Investments in debt and equity securities (other than investments in subsidiaries: see note 2(k)(ii)) and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(k) Impairment of assets* (Continued)

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

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

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

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

#### *(ii) Impairment of other assets*

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

— property, plant and equipment;

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

— intangible assets;

— investments in subsidiaries; and

— goodwill.

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(k) Impairment of assets (Continued)*

#### *(ii) Impairment of other assets (Continued)*

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

#### *(iii) Interim financial reporting and impairment*

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(l) Inventories*

Inventories are stated 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, an appropriate share of overheads based on normal operating capacity and other costs incurred in bringing the inventories to their present location and condition.

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

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

### *(m) Trade and other receivables*

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

### *(n) Convertible notes*

Convertible notes issued by the Group are designated as at fair value through profit or loss. At initial recognition the notes are stated at fair value, which is their transaction price unless fair value can be more reliably estimated based on a valuation technique whose variables include only data from observable markets. Recognition of the difference between transaction price and fair value determined using unobservable inputs is deferred until all market inputs become observable or the convertible notes expire. Transaction costs that relate to the issue of the notes are recognised immediately in profit or loss. At each balance sheet date, the fair value is remeasured. If the transaction price is adopted as the fair value for initial recognition, a gain or loss from subsequent measurement shall be recognised only to the extent that it arises from a change in a factor that market participants would consider in setting a price. When a holder of the notes exercises the right to convert the notes into ordinary shares, the carrying value of the related notes is transferred to share capital and share premium as consideration for the shares issued.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(o) Interest-bearing borrowings*

Interest-bearing borrowings other than those designated as at fair value through profit or loss (see note 2(n)) are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, such interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### *(p) Trade and other payables*

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

### *(q) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(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) Share-based payments*

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

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

#### *(iii) Termination benefits*

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

## 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 balance sheet date, and any adjustment 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 asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(s) Income tax (Continued)*

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

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

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.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

*(i) Financial guarantees issued*

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

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

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

*(ii) Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Company or 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(u) Revenue recognition*

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

*(i) Sale of goods*

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

*(ii) Service income*

Revenue is recognised when the related services are rendered. Service income received in advance is recognised as deferred income in the consolidated balance sheet and recognised as income on a straight-line basis over the service period.

*(iii) VAT refunds*

VAT refunds are recognised as income in the accounting period in which they are earned.

*(iv) Government grants*

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

*(v) Dividends*

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 using the effective interest method.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(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 balance sheet date. Exchange gains and losses are recognised in profit or loss.

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

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

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

### *(w) Borrowing costs*

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(x) Discontinued operations*

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale when it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the operation is available for sale in its present condition, if earlier. It also occurs if the operation is abandoned.

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

— the post-tax profit or loss of the discontinued operation; and

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

### *(y) Related parties*

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

## 2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *(z) Segment reporting*

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

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

## 3 CHANGES IN ACCOUNTING POLICIES

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

— HKFRS 8, *Operating segments*

— HKAS 1 (revised 2007), *Presentation of financial statements*

— Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*

— Improvements to HKFRSs (2008)

— Amendments to HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*

— HKAS 23 (revised 2007), *Borrowing costs*

— Amendments to HKFRS 2, *Share-based payment - vesting conditions and cancellations*

## 3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 15). Corresponding amounts have been provided on a basis consistent with the revised segment information.

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— As a result of the adoption of the amendments to HKFRS 7, the financial statements included expanded disclosures in note 39(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

— The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 April 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

## 4 TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale of medical devices and related accessories and the provision of hospital management services. The Group was also engaged in the provision of examination, processing, separation and storage services and application-related services for cord blood stem cells ("Cord Blood Bank"), prior to the disposal of the segment during the year (see note 11).

Turnover represents the amounts received and receivable for goods sold, less returns, allowances, VAT and other sales tax, income from hospital management services rendered to customers, less business tax of $2,724,000 (2009: $Nil) and Cord blood bank service income, less business tax of $3,757,000 (2009: $12,282,000).

Turnover recognised during the year is analysed as follows:

| | **2010** | 2009 (restated) |
|---|---|---|
| | **$'000** | $'000 |
| **Continuing operations** | | |
| Sales of medical devices | **146,249** | 203,378 |
| Sales of medical accessories | **87,455** | 73,157 |
| Hospital management service income | **51,763** | — |
| | **285,467** | 276,535 |
| **Discontinued operation (note 11)** | | |
| Cord blood bank service income | **64,274** | 221,221 |
| | **349,741** | 497,756 |

The Group's customer base includes three customers with whom transactions have exceeded 10% of the Group's revenues. In the year ended 31 March 2010 revenues from sales of medical devices and medical accessories to these customers, including sales to entities which are known to the Group to be under common control of these customers, amounted to approximately $217,485,000 (2009: $266,523,000). Details of concentrations of credit risk arising from these customers are set out in note 39(a).

Further details regarding the Group's principal activities are disclosed in note 15 to these financial statements.

## 5 OTHER REVENUE

| | 2010 | 2009 (restated) |
|---|---|---|
| | $'000 | $'000 |
| **Continuing operations** | | |
| Interest income on financial assets not at fair value through profit or loss | **23,908** | 26,341 |
| VAT refunds | **12,128** | 16,644 |
| Dividend income from listed securities | **2** | 6,750 |
| Sundry income | **1,659** | 41 |
| | **37,697** | 49,776 |
| **Discontinued operation (note 11)** | | |
| Interest income on financial assets not at fair value through profit or loss | **1,168** | 4,112 |
| | **38,865** | 53,888 |

Pursuant to the relevant government policies and approval documents from the local government authorities, one of the Group's PRC subsidiaries is entitled to a VAT refund which is calculated at approximately 14% (2009: 14%) of sales of software products embedded in the medical devices.

## 6 OTHER NET INCOME/(LOSS)

| | 2010<br>$'000 | 2009<br>(restated)<br>$'000 |
|---|---|---|
| **Continuing operations** | | |
| Available-for-sale equity securities: reclassified from equity | | |
| – on disposal | — | 59,703 |
| – on impairment | — | (327) |
| Net realised and unrealised gain/(loss) on financial assets at fair value through profit or loss | 28,425 | (14,941) |
| Exchange gain/(loss) | 8,820 | (85,527) |
| Impairment loss on available-for-sale equity securities carried at cost less impairment | (3,000) | — |
| Net gain on disposal of property, plant and equipment | — | 73 |
| Others | (499) | 14 |
| | 33,746 | (41,005) |
| **Discontinued operation (note 11)** | | |
| Available-for-sale equity securities: reclassified from equity on impairment | — | (42,299) |
| Net realised and unrealised gain on financial assets at fair value through profit or loss | — | 401 |
| Exchange gain/(loss) | 128 | (397) |
| Net loss on disposal of property, plant and equipment | (131) | (59) |
| Others | 463 | 465 |
| | 460 | (41,889) |
| | 34,206 | (82,894) |

## 7 PROFIT BEFORE TAXATION

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

| | | 2010 | 2009 |
|---|---|---|---|
| | | | (restated) |
| | | **$'000** | $'000 |
| (a) | Finance costs: | | |
| | **Continuing operations** | | |
| | Interest on bank loans wholly repayable within five years | **7,833** | 12,221 |
| | Other borrowing costs | **—** | 696 |
| | Finance charges on obligations under a finance lease | **166** | 174 |
| | | **7,999** | 13,091 |
| | **Discontinued operation (note 11)** | | |
| | Interest on bank loans wholly repayable within five years | **521** | — |
| | | **8,520** | 13,091 |
| (b) | Staff costs #: | | |
| | **Continuing operations** | | |
| | Salaries, wages and other benefits | **20,176** | (11,080) |
| | Contributions to defined contribution retirement plans | **1,389** | 1,110 |
| | Equity settled share-based payment expenses | **26,985** | — |
| | | **48,550** | (9,970) |
| | **Discontinued operation** | | |
| | Salaries, wages and other benefits | **7,852** | 30,241 |
| | Contributions to defined contribution retirement plans | **1,078** | 4,209 |
| | | **8,930** | 34,450 |
| | | **57,480** | 24,480 |

## 7 PROFIT BEFORE TAXATION *(Continued)*

Profit before taxation is arrived at after charging/(crediting): *(Continued)*

(b) Staff costs #: *(Continued)*

Salaries, wages and other benefits for the year ended 31 March 2009 include a credit of $30,493,000, being discretionary bonuses declared for the year ended 31 March 2008 which were voluntarily surrendered by staff during the year ended 31 March 2009.

| | **2010** | 2009 (restated) |
|---|---|---|
| | **$'000** | $'000 |
| (c) Other items: | | |
| **Continuing operations** | | |
| Cost of inventories # | **85,610** | 89,837 |
| Depreciation of property, plant and equipment # | **19,909** | 12,683 |
| Amortisation of land lease premium # | **103** | 103 |
| Amortisation of intangible assets # | **21,570** | — |
| Research and development costs | **9,836** | 5,313 |
| Auditor's remuneration | | |
| – audit services | **4,045** | 4,179 |
| – other services | **201** | 831 |
| Operating lease charges: minimum lease payments # | | |
| – hire of properties | **13,109** | 8,490 |
| – hire of other assets | **275** | 730 |
| **Discontinued operation** | | |
| Cost of inventories | **8,432** | 24,158 |
| Impairment loss on trade receivables | **1,190** | 7,725 |
| Operating lease charges: minimum lease payments | | |
| – hire of properties | **1,807** | — |
| Depreciation of property, plant and equipment | **5,060** | 8,517 |
| Amortisation of intangible assets | **819** | 3,271 |

# Cost of inventories includes $11,118,000 (2009: $11,389,000) from continuing operations relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

## 8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

### (a) *Continuing operations*

(i) *Taxation in the consolidated income statement represents:*

| | 2010 | 2009 (restated) |
|---|---|---|
| | $'000 | $'000 |
| **Current tax - Outside Hong Kong** | | |
| PRC income tax for the year | **28,428** | 21,118 |
| **Deferred tax** | | |
| Effect of change in tax rate | **—** | 1,834 |
| Origination and reversal of temporary differences | **(4,468)** | (1,834) |
| | **(4,468)** | — |
| | **23,960** | 21,118 |

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

| | 2010 | 2009 (restated) |
|---|---|---|
| | $'000 | $'000 |
| Profit before taxation | **158,355** | 56,632 |
| Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned | **37,993** | 22,338 |
| Tax effect of non-deductible expenses | **32,078** | 53,936 |
| Tax effect of non-taxable revenue | **(35,153)** | (41,130) |
| Reduced tax rate approved by tax authorities | **(11,436)** | (14,873) |
| Unused tax losses not recognised | **478** | — |
| Tax effect of previously unrecognised deferred tax assets now recognised | **—** | (987) |
| Effect of change in tax rate | **—** | 1,834 |
| Actual tax expense | **23,960** | 21,118 |

## 8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

### *(b) Discontinued operation (note 11)*

*(i) Taxation in the consolidated income statement represents:*

| | 2010<br>$'000 | 2009<br>(restated)<br>$'000 |
|---|---|---|
| **Current tax – Outside Hong Kong** | | |
| PRC income tax for the year | **7,419** | 22,067 |
| **Deferred tax** | | |
| Effect of change in tax rate | **—** | 876 |
| Origination and reversal of temporary differences | **(2,055)** | (2,066) |
| | **(2,055)** | (1,190) |
| | **5,364** | 20,877 |

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

| | 2010<br>$'000 | 2009<br>(restated)<br>$'000 |
|---|---|---|
| Profit before taxation | **26,853** | 65,699 |
| Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned | **6,836** | 20,626 |
| Tax effect of non-deductible expenses | **371** | 7,478 |
| Tax effect of non-taxable revenue | **(634)** | (337) |
| Reduced tax rate approved by tax authorities | **(1,209)** | (3,874) |
| Income tax exemption | **—** | (3,892) |
| Effect of change in tax rate | **—** | 876 |
| Actual tax expense | **5,364** | 20,877 |

## 8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

### (c) PRC income tax

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

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC is reduced from 33% to 25%.

On 24 December 2008, both Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing") and Beijing Jiachenhong Technologies Co., Ltd. ("Jiachenhong"), subsidiaries of the Group, were designated as high and new technology enterprises, which qualify for a reduced income tax rate of 15%, and such status will be valid for the three years ending 31 December 2010. Further, Jiachenhong was previously entitled to a reduction of PRC income tax for the three years ended 31 December 2008, which was grandfathered under the New Tax Law. As a result of the above, current taxation for Jingjing and Jiachenhong has been accrued based on tax rates of 15% and 9% respectively for the calendar year ended 31 December 2008 and based on the tax rate of 15% for the calendar year ended 31 December 2009 and the three months ended 31 March 2010.

The rest of the Group's subsidiaries in the PRC are subject to the standard PRC income tax rate of 25%.

### (d) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2010 and 2009 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

### (e) Cayman Islands tax

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

## 9 DIRECTORS' REMUNERATION

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

***For the year ended 31 March 2010***

| | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Share-based payments | Retirement scheme contributions | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Executive directors*** | | | | | | |
| Mr. KAM Yuen | — | 1,654 | — | 1,628 | 12 | 3,294 |
| Ms. JIN Lu | — | 650 | — | 1,628 | 12 | 2,290 |
| Mr. LU Tian Long | — | 650 | — | 2,398 | 12 | 3,060 |
| Ms. ZHENG Ting | — | 138 | — | 2,398 | 3 | 2,539 |
| ***Independent non-executive directors*** | | | | | | |
| Prof. CAO Gang | 60 | — | 100 | — | — | 160 |
| Mr. GAO Zong Ze | 60 | — | 100 | — | — | 160 |
| Prof. GU Qiao | 60 | — | 100 | — | — | 160 |
| | 180 | 3,092 | 300 | 8,052 | 39 | 11,663 |

## 9 DIRECTORS' REMUNERATION *(Continued)*

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

*For the year ended 31 March 2009*

| | Directors' fees $'000 | Salaries, allowances and benefits in kind $'000 | Discretionary bonuses $'000 | Share-based payments $'000 | Retirement scheme contributions $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| ***Executive directors*** | | | | | | |
| Mr. KAM Yuen | — | 4,056 | — | — | 12 | 4,068 |
| Ms. JIN Lu | — | 931 | — | — | 12 | 943 |
| Mr. LU Tian Long | — | 650 | — | — | 12 | 662 |
| Ms. ZHENG Ting | — | 650 | — | — | 12 | 662 |
| ***Independent non-executive directors*** | | | | | | |
| Prof. CAO Gang | 60 | — | 100 | — | — | 160 |
| Mr. GAO Zong Ze | 60 | — | 100 | — | — | 160 |
| Prof. GU Qiao | 60 | — | 100 | — | — | 160 |
| | 180 | 6,287 | 300 | — | 48 | 6,815 |

The above emoluments include the value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. Details of these benefits in kind are disclosed under the paragraph "Share option schemes" in the directors' report and notes 2(r)(ii) and 38.

During the year ended 31 March 2009, certain of the directors voluntarily surrendered discretionary bonuses declared for the year ended 31 March 2008 which were not paid to the directors, as follows:

| | $'000 |
|---|---|
| Mr. KAM Yuen | 15,000 |
| Ms. JIN Lu | 2,000 |
| Mr. LU Tian Long | 1,265 |
| Ms. ZHENG Ting | 2,000 |
| | 20,265 |

## 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2009: one) are/is director(s) whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2009: four) individuals are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **$'000** | $'000 |
| Salaries, allowances and other benefits | **2,749** | 3,616 |
| Discretionary bonuses | **—** | 870 |
| Share-based payments | **7,239** | — |
| Retirement benefits | **15** | 24 |
| | **10,003** | 4,510 |

The emoluments fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2010** | 2009 |
| *Emoluments bands* | | |
| $500,001 to $1,000,000 | **—** | 1 |
| $1,000,001 to $1,500,000 | **—** | 3 |
| $2,500,001 to 3,000,000 | **1** | — |
| $3,000,001 to $3,500,000 | **1** | — |
| $3,500,001 to $4,000,000 | **1** | — |
| | **3** | 4 |

## 11 DISCONTINUED OPERATION

On 3 November 2008, the Company together with a then subsidiary, China Cord Blood Services Corporation ("CCBS") and CCBS's minority shareholders executed a Share Exchange Agreement with Pantheon China Acquisition Corp. ("Pantheon"), a company whose shares were quoted on the OTC Bulletin Board in the United States of America. Pantheon was subsequently renamed as China Cord Blood Corporation ("CCBC").

Pursuant to the Share Exchange Agreement, CCBC agreed to issue to the Group and CCBS's minority shareholders shares of CCBC in exchange for the entire issued and outstanding shares of CCBS. The transaction was completed on 30 June 2009. Upon the completion of the transaction, the Company indirectly held 29,068,087 shares of CCBC, which represented a 49.0% equity interest in CCBC. As a result of the transaction, the Group no longer controls CCBS and the transaction was accounted for as a disposal of CCBS, with the Group's remaining interest in CCBS recognised within interests in associates in the Group's consolidated financial statements. Further, the Group's Cord Blood Bank service segment has been classified as a discontinued operation. Further details in relation to this transaction are set out in the Company's announcements dated 3 November 2008 and 30 June 2009 and the Company's circular dated 24 November 2008.

### *(a) The results of the discontinued operation for the year ended 31 March 2010 are as follows:*

| | **2010** | 2009 |
|---|---|---|
| | **$'000** | $'000 |
| Turnover (note 4) | **64,274** | 221,221 |
| Cost of sales | **(18,944)** | (55,813) |
| Gross profit | **45,330** | 165,408 |
| Other revenue (note 5) | **1,168** | 4,112 |
| Other net income/(loss) (note 6) | **460** | (41,889) |
| Selling expenses | **(7,975)** | (32,627) |
| Administrative expenses | **(11,609)** | (29,305) |
| Profit from operations | **27,374** | 65,699 |
| Finance costs (note 7(a)) | **(521)** | — |
| Profit before taxation | **26,853** | 65,699 |
| Income tax (note 8(b)(i)) | **(5,364)** | (20,877) |
| Profit for the year | **21,489** | 44,822 |
| Loss on disposal of discontinued operation, net of tax of $Nil | **(31,894)** | — |
| (Loss)/profit for the year from discontinued operation | **(10,405)** | 44,822 |

## 11 DISCONTINUED OPERATION *(Continued)*

### *(b) The net cash flows of the discontinued operation for the year ended 31 March 2010 are as follows:*

| | **2010** **$'000** | 2009 $'000 |
|---|---|---|
| Net cash (outflow)/inflow from operating activities | **(3,888)** | 7,404 |
| Net cash outflow from investing activities | **(8,532)** | (38,930) |
| Net cash inflow/(outflow) from financing activities | **88,520** | (42,694) |
| Net cash inflow/(outflow) of the discontinued operation | **76,100** | (74,220) |

## 12 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $105,966,000 (2009: $40,711,000) which has been dealt with in the financial statements of the Company.

## 13 OTHER COMPREHENSIVE INCOME

### *Reclassification adjustments relating to components of other comprehensive income*

| | **2010** **$'000** | 2009 $'000 |
|---|---|---|
| *Exchange reserve:* | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong | **7,528** | 17,176 |
| Reclassification adjustments for amounts transferred to profit or loss: | | |
| – disposal of subsidiaries | **(690)** | — |
| Net movement in the exchange reserve during the year recognised in other comprehensive income | **6,838** | 17,176 |

## 13 OTHER COMPREHENSIVE INCOME *(Continued)*

### *Reclassification adjustments relating to components of other comprehensive income* (Continued)

| | **2010** **$'000** | 2009 $'000 |
|---|---|---|
| *Fair value reserve:* | | |
| Changes in fair value recognised during the year | **7,447** | (129,264) |
| Reclassification adjustments for amounts transferred to profit or loss: | | |
| – gain on disposal | **—** | (59,703) |
| – impairment losses | **—** | 42,626 |
| – disposal of subsidiaries | **(161)** | — |
| Net movement in the fair value reserve during the year recognised in other comprehensive income | **7,286** | (146,341) |

## 14 EARNINGS/(LOSS) PER SHARE

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

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to equity shareholders of the Company of $116,412,000 (2009: $57,089,000) divided by the weighted average number of 1,599,857,000 (2009: 1,557,736,000) ordinary shares in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

| | **2010** **Shares** **'000** | 2009 Shares '000 |
|---|---|---|
| Issued ordinary shares at the beginning of the year | **1,593,922** | 1,543,522 |
| Effect of issue of shares (note 36(b)(ii)) | **—** | 20,383 |
| Effect of shares repurchased and cancelled (note 36(b)(iii)) | **—** | (6,169) |
| Effect of conversion of convertible notes (note 36(b)(iv)) | **5,935** | — |
| Weighted average number of ordinary shares | **1,599,857** | 1,557,736 |

## 14 EARNINGS/(LOSS) PER SHARE *(Continued)*

### *(a) Basic earnings/(loss) per share* (Continued)

| | **2010** **$'000** | 2009 $'000 |
|---|---|---|
| *From continuing and discontinued operations* | | |
| Profit attributable to equity shareholders | **116,412** | 57,089 |
| *From continuing operations* | | |
| Profit attributable to equity shareholders | **138,237** | 35,514 |
| *From discontinued operation* | | |
| (Loss)/profit attributable to equity shareholders | **(21,825)** | 21,575 |
| *From continuing and discontinued operations* | | |
| Basic earnings per share (HK cents) | **7.2** | 3.7 |
| *From continuing operations* | | |
| Basic earnings per share (HK cents) | **8.6** | 2.3 |
| *From discontinued operation* | | |
| Basic (loss)/earnings per share (HK cents) | **(1.4)** | 1.4 |

## 14 EARNINGS/(LOSS) PER SHARE *(Continued)*

### (b) *Diluted earnings/(loss) per share*

The calculation of diluted earnings/(loss) per share is based on the consolidated profit attributable to equity shareholders of $109,858,000 (2009: $56,423,000) and the weighted average number of 1,615,512,000 (2009: 1,559,826,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

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

| | **2010** | 2009 |
|---|---|---|
| | **$'000** | $'000 |
| *From continuing and discontinued operations* | | |
| Profit attributable to equity shareholders | **116,412** | 57,089 |
| Dilutive impact on profit from deemed issue of ordinary shares of a subsidiary under its share option scheme for nil consideration (note 38(b)) | **(468)** | (666) |
| Dilutive impact on profit of dilutive potential shares of associates | **(1,383)** | — |
| Dilutive impact on profit of dilutive potential shares of jointly controlled entities | **(4,703)** | — |
| Profit attributable to equity shareholders (diluted) | **109,858** | 56,423 |
| Attributable to: | | |
| Continuing operations | **132,151** | 35,514 |
| Discontinued operation | **(22,293)** | 20,909 |
| | **109,858** | 56,423 |

## 14 EARNINGS/(LOSS) PER SHARE *(Continued)*

### *(b) Diluted earnings/(loss) per share* (Continued)

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

| | **2010 Shares '000** | 2009 Shares '000 |
|---|---|---|
| Weighted average number of ordinary shares | **1,599,857** | 1,557,736 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 38(a)) | **12,317** | 2,090 |
| Effect of option held by convertible note holders which requires the Company to issue additional convertible notes (note 35(a)) | **3,338** | — |
| Weighted average number of ordinary shares (diluted) at 31 March | **1,615,512** | 1,559,826 |
| *From continuing and discontinued operations* | | |
| Diluted earnings per share (HK cents) | **6.8** | 3.6 |
| *From continuing operations* | | |
| Diluted earnings per share (HK cents) | **8.2** | 2.3 |
| *From discontinued operation* | | |
| Diluted (loss)/earnings per share (HK cents) | **(1.4)** | 1.3 |

The impact of the Group's convertible notes and warrants on earnings per share is anti-dilutive.

## 15 SEGMENT REPORTING

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

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

(ii) Cord Blood Bank segment: the provision of blood stem cell examination, processing, separation and storage services and application-related services. As disclosed in note 11, the Cord Blood Bank segment was classified as discontinued operation during the year ended 31 March 2010.

(iii) Hospital Management segment: the provision of management services to hospitals in the PRC.

## 15 SEGMENT REPORTING *(Continued)*

### (a) *Segment results, assets and liabilities*

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, interests in jointly controlled entities, non-current prepayments, investments in financial assets, deferred tax assets and inter-company receivables. Segment liabilities include trade payables, accruals and other payables attributable to the operating activities of the individual segments with the exception of deferred tax liabilities, amounts due to associates and inter-company payables.

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

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

## 15 SEGMENT REPORTING *(Continued)*

### (a) *Segment results, assets and liabilities* *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2010 and 2009 is set out below:

| | Continuing operations | | | | Discontinued operation | | | |
|---|---|---|---|---|---|---|---|---|
| | Medical Devices | | Hospital Management | | Cord Blood Bank | | Total | |
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Revenue from external customers | **233,704** | 276,535 | **51,763** | — | **64,274** | 221,221 | **349,741** | 497,756 |
| Segment profit | **133,493** | 175,150 | **17,718** | — | **27,374** | 107,998 | **178,585** | 283,148 |
| Depreciation and amortisation for the year | **12,665** | 10,257 | **24,081** | — | **5,879** | 11,788 | **42,625** | 22,045 |
| Impairment loss on trade and other receivables | **—** | — | **—** | — | **1,190** | 7,725 | **1,190** | 7,725 |
| Segment assets | **976,652** | 952,999 | **1,311,282** | — | **—** | 828,163 | **2,287,934** | 1,781,162 |
| Additions to non-current segment assets during the year | **618** | 14,864 | **1,286,321** | — | **19,839** | 48,858 | **1,306,778** | 63,722 |
| Segment liabilities | **218,601** | 160,931 | **260,265** | — | **—** | 153,404 | **478,866** | 314,335 |

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

## 15 SEGMENT REPORTING *(Continued)*

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

**Revenue**

The total amount of reportable segment revenues from continuing operations and discontinued operation is equal to the consolidated turnover for the years ended 31 March 2009 and 2010:

**Profit**

| | **Continuing operations** | | **Discontinued operation** | | **Consolidated** | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Reportable segment profit | **151,211** | 175,150 | **27,374** | 107,998 | **178,585** | 283,148 |
| Finance costs | **(7,999)** | (13,091) | **(521)** | — | **(8,520)** | (13,091) |
| Changes in fair value of financial liabilities at fair value through profit or loss | **(102,357)** | — | **—** | — | **(102,357)** | — |
| Gain on deemed disposal of partial interests in associates | **47,542** | — | **—** | — | **47,542** | — |
| Share of profits less losses of associates | **9,150** | (132,606) | **—** | — | **9,150** | (132,606) |
| Share of profits of jointly controlled entities | **76,031** | 47,985 | **—** | — | **76,031** | 47,985 |
| Impairment losses on available-for-sale securities | **—** | — | **—** | (42,299) | **—** | (42,299) |
| Unallocated head office and corporate expenses | **(15,223)** | (20,806) | **—** | — | **(15,223)** | (20,806) |
| Consolidated profit before taxation | **158,355** | 56,632 | **26,853** | 65,699 | **185,208** | 122,331 |

## 15 SEGMENT REPORTING *(Continued)*

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

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| **Assets** | | |
| Reportable segment assets | **2,287,934** | 1,781,162 |
| Interests in associates | **1,026,286** | 518,715 |
| Interests in jointly controlled entities | **722,418** | 712,639 |
| Non-current prepayments | **396,180** | 840,462 |
| Available-for-sale equity securities | **110,633** | 143,260 |
| Other investments | **77,951** | 50,585 |
| Deferred tax assets | **3,407** | 6,794 |
| Unallocated head office and corporate assets | **103,123** | 60,235 |
| Consolidated total assets | **4,727,932** | 4,113,852 |
| **Liabilities** | | |
| Reportable segment liabilities | **478,866** | 314,335 |
| Deferred tax liabilities | **205,274** | — |
| Amounts due to associates | **—** | 15,616 |
| Unallocated head office and corporate liabilities | **468,740** | 246,379 |
| Consolidated total liabilities | **1,152,880** | 576,330 |

## 16 FIXED ASSETS

### *(a) The Group*

| | Buildings held for own use $'000 | Leasehold improvements $'000 | Machinery $'000 | Motor vehicles $'000 | Furniture, fixtures and equipment $'000 | Construction in progress $'000 | Sub-total $'000 | Interests in leasehold land held for own use under operating leases $'000 | Total fixed assets $'000 |
|---|---|---|---|---|---|---|---|---|---|
| *Cost:* | | | | | | | | | |
| At 1 April 2009 | 156,934 | 65,798 | 66,091 | 15,662 | 18,277 | 184,074 | 506,836 | 4,958 | 511,794 |
| Exchange adjustments | 499 | 50 | 141 | 25 | 25 | 21 | 761 | 15 | 776 |
| Additions | 8,766 | — | 26,605 | 889 | 3,867 | 5,453 | 45,580 | — | 45,580 |
| Acquisition of subsidiaries (note 37(a)) | — | — | 21,965 | 1,382 | 51 | — | 23,398 | — | 23,398 |
| Transfers | 155,291 | — | 2,152 | — | 1,600 | (159,043) | — | — | — |
| Disposal of subsidiaries (note 37(b)) | (164,057) | (48,740) | (52,409) | (4,025) | (14,670) | (25,465) | (309,366) | — | (309,366) |
| Disposals | — | — | (64) | (462) | (55) | — | (581) | — | (581) |
| **At 31 March 2010** | **157,433** | **17,108** | **64,481** | **13,471** | **9,095** | **5,040** | **266,628** | **4,973** | **271,601** |
| *Accumulated amortisation and depreciation:* | | | | | | | | | |
| At 1 April 2009 | 40,286 | 19,234 | 23,388 | 5,479 | 7,970 | — | 96,357 | 668 | 97,025 |
| Exchange adjustments | 143 | 29 | 57 | 14 | 14 | — | 257 | 2 | 259 |
| Acquisition of subsidiaries (note 37(a)) | — | — | 2,556 | 250 | 14 | — | 2,820 | — | 2,820 |
| Charge for the year | 10,875 | 4,347 | 5,436 | 2,431 | 1,880 | — | 24,969 | 103 | 25,072 |
| Disposal of subsidiaries (note 37(b)) | (2,058) | (10,412) | (11,440) | (866) | (4,067) | — | (28,843) | — | (28,843) |
| Written back on disposal | — | — | (47) | (313) | (7) | — | (367) | — | (367) |
| **At 31 March 2010** | **49,246** | **13,198** | **19,950** | **6,995** | **5,804** | **—** | **95,193** | **773** | **95,966** |
| *Net book value:* | | | | | | | | | |
| **At 31 March 2010** | **108,187** | **3,910** | **44,531** | **6,476** | **3,291** | **5,040** | **171,435** | **4,200** | **175,635** |

## 16 FIXED ASSETS *(Continued)*

### *(a) The Group (Continued)*

| | Buildings held for own use $'000 | Leasehold improvements $'000 | Machinery $'000 | Motor vehicles $'000 | Furniture, fixtures and equipment $'000 | Construction in progress $'000 | Sub-total $'000 | Interests in leasehold land held for own use under operating leases $'000 | Total fixed assets $'000 |
|---|---|---|---|---|---|---|---|---|---|
| ***Cost:*** | | | | | | | | | |
| At 1 April 2008 | 129,657 | 29,134 | 53,797 | 8,742 | 12,900 | 187,486 | 421,716 | 4,852 | 426,568 |
| Exchange adjustments | 2,833 | 556 | 1,175 | 181 | 257 | 4,097 | 9,099 | 106 | 9,205 |
| Additions | 13,858 | 5,362 | 3,243 | 8,354 | 5,125 | 41,862 | 77,804 | — | 77,804 |
| Transfers | 10,586 | 30,746 | 7,924 | — | 115 | (49,371) | — | — | — |
| Disposals | — | — | (48) | (1,615) | (120) | — | (1,783) | — | (1,783) |
| At 31 March 2009 | 156,934 | 65,798 | 66,091 | 15,662 | 18,277 | 184,074 | 506,836 | 4,958 | 511,794 |
| ***Accumulated amortisation and depreciation:*** | | | | | | | | | |
| At 1 April 2008 | 33,202 | 14,314 | 17,487 | 3,759 | 5,680 | — | 74,442 | 553 | 74,995 |
| Exchange adjustments | 736 | 282 | 392 | 80 | 121 | — | 1,611 | 12 | 1,623 |
| Charge for the year | 6,348 | 4,638 | 5,549 | 2,392 | 2,273 | — | 21,200 | 103 | 21,303 |
| Written back on disposal | — | — | (40) | (752) | (104) | — | (896) | — | (896) |
| At 31 March 2009 | 40,286 | 19,234 | 23,388 | 5,479 | 7,970 | — | 96,357 | 668 | 97,025 |
| ***Net book value:*** | | | | | | | | | |
| At 31 March 2009 | 116,648 | 46,564 | 42,703 | 10,183 | 10,307 | 184,074 | 410,479 | 4,290 | 414,769 |

## 16 FIXED ASSETS *(Continued)*

### *(b) The Company*

| | Leasehold improvements $'000 | Motor vehicles $'000 | Furniture, fixtures and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| At 1 April 2009 | 3,093 | 5,680 | 1,155 | 9,928 |
| Additions | — | — | 58 | 58 |
| **At 31 March 2010** | **3,093** | **5,680** | **1,213** | **9,986** |
| ***Accumulated depreciation:*** | | | | |
| At 1 April 2009 | 2,148 | 947 | 515 | 3,610 |
| Charge for the year | 945 | 1,136 | 223 | 2,304 |
| **At 31 March 2010** | **3,093** | **2,083** | **738** | **5,914** |
| ***Net book value:*** | | | | |
| **At 31 March 2010** | **—** | **3,597** | **475** | **4,072** |

## 16 FIXED ASSETS *(Continued)*

### *(b) The Company (Continued)*

| | Leasehold improvements $'000 | Motor vehicles $'000 | Furniture, fixtures and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| At 1 April 2008 | 3,093 | 477 | 1,146 | 4,716 |
| Additions | — | 5,680 | 9 | 5,689 |
| Disposals | — | (477) | — | (477) |
| At 31 March 2009 | 3,093 | 5,680 | 1,155 | 9,928 |
| ***Accumulated depreciation:*** | | | | |
| At 1 April 2008 | 1,117 | 175 | 293 | 1,585 |
| Charge for the year | 1,031 | 963 | 222 | 2,216 |
| Written back on disposal | — | (191) | — | (191) |
| At 31 March 2009 | 2,148 | 947 | 515 | 3,610 |
| ***Net book value:*** | | | | |
| At 31 March 2009 | 945 | 4,733 | 640 | 6,318 |

(c) At 31 March 2010, the Group had pledged interests in leasehold land and buildings with an aggregate carrying value of $112,387,000 (2009: $120,938,000), as collateral against certain loans granted to the Group by a bank (see note 31).

(d) Construction in progress as at 31 March 2010 represents leasehold land and buildings under renovation and machinery under installation.

## 16 FIXED ASSETS *(Continued)*

### (e) *The analysis of net book value of properties is as follows:*

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Outside Hong Kong | | |
| – under medium-term lease | **112,387** | 120,938 |
| *Represented by:* | | |
| Buildings held for own use | **108,187** | 116,648 |
| Interests in leasehold land held for own use under operating leases | **4,200** | 4,290 |
| | **112,387** | 120,938 |

### (f) *Fixed asset held under finance lease*

The Group and the Company lease a motor vehicle under a finance lease expiring in 2.5 years. At the end of the lease term the Group and the Company have the option to purchase the leased motor vehicle at a price deemed to be a bargain purchase option. The lease does not include contingent rentals.

At the balance sheet date, the net book value of the motor vehicle held under a finance lease was $3,597,000 (2009: $4,733,000).

## 17 INTANGIBLE ASSETS

| | The Group | | |
|---|---|---|---|
| | Management service contract rights $'000 | Operating rights for cord blood banks $'000 | Total $'000 |
| ***Cost:*** | | | |
| At 1 April 2009 | — | 98,286 | 98,286 |
| Exchange adjustments | 2,642 | 11 | 2,653 |
| Disposal of subsidiaries (note 37(b)) | — | (98,297) | (98,297) |
| Acquisition of subsidiaries (note 37(a)) | 840,061 | — | 840,061 |
| **At 31 March 2010** | **842,703** | **—** | **842,703** |
| ***Accumulated amortisation:*** | | | |
| At 1 April 2009 | — | 14,207 | 14,207 |
| Exchange adjustments | 37 | 1 | 38 |
| Charge for the year | 21,570 | 819 | 22,389 |
| Disposal of subsidiaries (note 37(b)) | — | (15,027) | (15,027) |
| **At 31 March 2010** | **21,607** | **—** | **21,607** |
| ***Carrying amount:*** | | | |
| **At 31 March 2010** | **821,096** | **—** | **821,096** |

## 17 INTANGIBLE ASSETS *(Continued)*

| | The Group | | |
|---|---|---|---|
| | Management service contract rights $'000 | Operating rights for cord blood banks $'000 | Total $'000 |
| ***Cost:*** | | | |
| At 1 April 2008 | — | 96,185 | 96,185 |
| Exchange adjustments | — | 2,101 | 2,101 |
| At 31 March 2009 | — | 98,286 | 98,286 |
| ***Accumulated amortisation:*** | | | |
| At 1 April 2008 | — | 10,697 | 10,697 |
| Exchange adjustments | — | 239 | 239 |
| Charge for the year | — | 3,271 | 3,271 |
| At 31 March 2009 | — | 14,207 | 14,207 |
| ***Carrying amount:*** | | | |
| At 31 March 2009 | — | 84,079 | 84,079 |

The amortisation charge for the year is included in cost of sales in the consolidated income statement.

## 18 GOODWILL

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| ***Cost:*** | | |
| At beginning of the year | **67,169** | 67,169 |
| Exchange adjustments | **1,510** | — |
| Acquisition of subsidiaries (note 37(a)) | **425,609** | — |
| Disposal of subsidiaries (note 37(b)) | **(66,663)** | — |
| At end of the year | **427,625** | 67,169 |

### *Impairment tests for cash-generating units containing goodwill*

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

| | **2010** | 2009 |
|---|---|---|
| | **$'000** | $'000 |
| Medical Devices | **506** | 506 |
| Cord Blood Bank - Beijing | **—** | 66,663 |
| Hospital Management service | **427,119** | — |
| | **427,625** | 67,169 |

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

## 18 GOODWILL *(Continued)*

Key assumptions used for value-in-use calculations:

| | 2010 | 2009 |
|---|---|---|
| | % | % |
| Gross margin | | |
| - Medical Devices | **56.7** | 64.8 |
| - Cord Blood Bank - Beijing | **N/A** | 79.4 |
| - Hospital Management service | **78.9** | N/A |
| Growth rate | | |
| - Medical Devices | **10.0** | 10.0 |
| - Cord Blood Bank - Beijing | **N/A** | 5.6 |
| - Hospital Management service | **8.9** | N/A |
| Discount rate | | |
| - Medical Devices | **17.2** | 17.9 |
| - Cord Blood Bank - Beijing | **N/A** | 16.3 |
| - Hospital Management service | **14.0** | N/A |

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

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

## 19 INTERESTS IN SUBSIDIARIES

### *(a) Investments in subsidiaries*

| | The Company | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Unlisted equities, at cost | **78,053** | 3 |
| Amounts due from subsidiaries | **1,887,055** | 772,301 |
| | **1,965,108** | 772,304 |

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but settlement is not expected within one year of the balance sheet date.

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 INTERESTS IN SUBSIDIARIES *(Continued)*

### *(b) Amount due to a subsidiary*

Amount due to a subsidiary is unsecured, interest-free and has no fixed terms of settlement but settlement is not expected within one year of the balance sheet date.

### *(c) Particulars of principal subsidiaries*

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

| | | Proportion of ownership interest | | | | |
|---|---|---|---|---|---|---|
| Name of company | Place of incorporation/ establishment and operations | Group's effective holding | Held by the Company | Held by subsidiaries | Issued/ registered capital | Principal activities |
| Beijing Dao Pei Pharmaceutical Technology Co., Ltd. # | The PRC | 60% | — | 100% | RMB20,000,000 | Investment holding |
| Beijing GM Hospital Investment Advisory Co., Ltd. # | The PRC | 60% | — | 100% | RMB10,000,000 | Investment holding |
| Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing") # | The PRC | 100% | — | 100% | US$10,100,000 | Manufacture and sale of medical devices |
| China Bright Group Co. Limited | Hong Kong | 100% | 100% | — | $13,158 | Investment holding |
| Golden Meditech (BVI) Company Limited | British Virgin Islands/ Hong Kong | 100% | 100% | — | US$1 | Investment holding |
| Golden Meditech Herbal Treatment (BVI) Company Limited | British Virgin Islands/ Hong Kong | 100% | 100% | — | US$1 | Investment holding |
| Golden Meditech Medical Devices Distribution (BVI) Company Limited | British Virgin Islands/ Hong Kong | 100% | 100% | — | US$1 | Investment holding |

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 INTERESTS IN SUBSIDIARIES *(Continued)*

### (c) *Particulars of principal subsidiaries* (Continued)

| Name of company | Place of incorporation/ establishment and operations | Proportion of ownership interest: Group's effective holding | Held by the Company | Held by subsidiaries | Issued/ registered capital | Principal activities |
|---|---|---|---|---|---|---|
| Golden Meditech Stem Cells (BVI) Company Limited | British Virgin Islands/ Hong Kong | 100% | 100% | — | US$1 | Investment holding |
| GM Hospital Group Limited | British Virgin Islands/ Hong Kong | 60% | 60% | — | US$100 | Investment holding |
| GM Hospital Investment Ventures Co., Ltd. | Hong Kong | 60% | — | 100% | $1,000 | Investment holding |
| GM Hospital Management Co., Ltd. | Hong Kong | 60% | — | 100% | $1,000 | Investment holding |
| GM Hospital Management (China) Company Limited ("GMHM (China)") # | The PRC | 60% | — | 100% | RMB380,000,000 | Provision of hospital management services |
| GM Investment Company Limited | Hong Kong | 100% | 100% | — | $1 | Investment holding |
| Shanghai Dao Pei Pharmaceutical Co., Ltd. | The PRC | 60% | — | 100% | RMB9,000,000 | Investment holding |

# Registered under the laws of the PRC as foreign investment enterprises.

## 20 INTERESTS IN ASSOCIATES

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Share of net assets | **455,009** | 52,361 |
| Goodwill | **167,764** | 104,519 |
| Loan to associate | **246,646** | 215,061 |
| Amounts due from associates | **156,867** | 146,774 |
| | **1,026,286** | 518,715 |

Loan to associate is unsecured, interest bearing with an effective interest rate of 9.16% per annum and repayable on 31 December 2012. Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment but are not expected to be settled within one year of the balance sheet date. Included in amounts due from associates are amounts of $14,941,000 (2009: Nil) due to the Company. Loan to and amounts due from associates are neither past due nor impaired.

Amounts due to associates in the balance sheets are unsecured, interest-free and have no fixed terms of repayment.

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

| Name of associate | Form of business structure | Place of establishment and operation | Proportion of ownership interest held by the Group | Issued/ registered capital | Principal activities |
|---|---|---|---|---|---|
| Beijing Jiachenhong Biological Technologies Co., Ltd. ("Jiachenhong") | Incorporated | The PRC | 43.6% | RMB280,000,000 | Provision of blood stem cell storage facilities and ancillary services |
| Beijing Qijieyuan Pharmaceutical Technology Development Co., Ltd. | Incorporated | The PRC | 27.6% | RMB20,000,000 | Investment holding |
| China Cord Blood Corporation ("CCBC") * | Incorporated | Cayman Islands / Hong Kong | 43.6% | US$6,674 | Provision of blood stem cell storage facilities and ancillary services |

*(Expressed in Hong Kong dollars unless otherwise indicated)*

## 20 INTERESTS IN ASSOCIATES *(Continued)*

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

| Name of associate | Form of business structure | Place of establishment and operation | Proportion of ownership interest held by the Group | Issued/ registered capital | Principal activities |
|---|---|---|---|---|---|
| China Cord Blood Services Corporation | Incorporated | Cayman Islands/ Hong Kong | 43.6% | US$1,618,980 | Provision of blood stem cell storage facilities and ancillary services |
| China Healthcare Inc. | Incorporated | Cayman Islands/ The United Kingdom | 40.0% | US$1,000 | Manufacture and retail sales of natural herbal medicines |
| Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd. | Incorporated | The PRC | 39.2% | RMB40,000,000 | Provision of blood stem cell storage facilities and ancillary services |
| Shanghai Baisuihang Pharmaceutical Co., Ltd. | Incorporated | The PRC | 27.6% | RMB91,803,900 | Research and development, manufacture and sale of natural herbal medicines |
| Union China National Medical Equipment Co., Ltd. | Incorporated | The PRC | 37.8% | US$10,000,000 | Sale and distribution of medical equipment |

* Upon the completion of the transaction pursuant to the Share Exchange Agreement as disclosed in note 11, CCBC became a 49.0% held associate of the Group on 30 June 2009. CCBC has subsequently completed a series of public offering of new ordinary shares and has listed its shares on the New York Stock Exchange. The offering of new shares by CCBC resulted in the dilution of the Group's interest in CCBC to 43.6% as at 31 March 2010, and the recognition by the Group of a gain on deemed disposal of partial interests in associates of $47,542,000. The market value of the Group's effective interest in CCBC as at 31 March 2010 amounted to US$174,699,000 (equivalent to $1,353,919,000).

## 20 INTERESTS IN ASSOCIATES *(Continued)*

### *Summary financial information on associates* (Continued)

| | Assets $'000 | Liabilities $'000 | Equity $'000 | Revenues $'000 | Profit/(loss) $'000 |
|---|---|---|---|---|---|
| **2010** | | | | | |
| **100 per cent** | **1,999,177** | **(942,660)** | **1,056,517** | **1,017,911** | **15,098** |
| **Group's effective interest** | **836,080** | **(381,071)** | **455,009** | **403,185** | **9,150** |
| 2009 | | | | | |
| 100 per cent | 720,648 | (584,484) | 136,164 | 902,690 | (318,182) |
| Group's effective interest | 278,812 | (226,451) | 52,361 | 344,138 | (132,606) |

## 21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | The Group | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| Share of net assets | **465,915** | 459,779 |
| Goodwill | **253,664** | 252,860 |
| Amount due from a jointly controlled entity | **2,839** | — |
| | **722,418** | 712,639 |

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

| Name of jointly controlled entity | Form of business structure | Place of establishment and operation | Proportion of ownership interest held by the Group | Issued/ registered capital | Principal activities |
|---|---|---|---|---|---|
| Beijing Pypo Technology Group Company Limited | Incorporated | The PRC | 28.9% | RMB700,000,000 | Distribution of personal electronic goods |
| Capital Ally Investments Limited | Incorporated | British Virgin Islands/ Hong Kong | 50.0% | US$10,000 | Investment holding |

## 21 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The following list contains only the particulars of jointly controlled entities which principally affected the results or assets of the Group: *(Continued)*

| Name of jointly controlled entity | Form of business structure | Place of establishment and operation | Proportion of ownership interest held by the Group | Issued/ registered capital | Principal activities |
|---|---|---|---|---|---|
| Funtalk China Holdings Ltd ("FTLK") * | Incorporated | Cayman Islands/ Hong Kong | 28.9% | US$52,141 | Distribution and retail sales of personal electronic goods |

* FTLK's shares are listed on the NASDAQ Stock Market. The market value of the Group's effective interest in FTLK as at 31 March 2010 amounted to US$99,495,000 (equivalent to $771,086,000).

### *Summary financial information on jointly controlled entities - the Group's effective interest:*

| | **2010 $'000** | 2009 $'000 |
|---|---|---|
| Non-current assets | **686,164** | 447,712 |
| Current assets | **1,268,169** | 1,072,357 |
| Non-current liabilities | **(366,964)** | (332,319) |
| Current liabilities | **(1,121,454)** | (727,971) |
| Net assets | **465,915** | 459,779 |
| Income | **3,311,751** | 2,205,282 |
| Expenses | **(3,235,720)** | (2,157,297) |
| Profit for the year | **76,031** | 47,985 |

## 22 AVAILABLE-FOR-SALE EQUITY SECURITIES

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Listed outside Hong Kong, at market value | **992** | 30,619 |
| Unlisted equity securities, at cost less impairment loss | **109,641** | 112,641 |
| | **110,633** | 143,260 |

At 31 March 2010, management considers that objective evidence of impairment exists for certain of the Group's available-for-sale equity securities as a result of significant and prolonged declines in their fair values below cost. Impairment losses on these investments of $3,000,000 (2009: $42,626,000) have been recognised in the consolidated income statement in accordance with the policy set out in note 2(k)(i) (see note 6).

## 23 OTHER FINANCIAL ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Non-current trade receivables | **—** | 103,884 | **—** | — |
| Non-current prepayments | **396,180** | 840,462 | **72,323** | 809,687 |
| | **396,180** | 944,346 | **72,323** | 809,687 |

### *(a) Non-current trade receivables*

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Non-current trade receivables | **—** | 106,400 |
| Less: Allowance for doubtful debts (Note) | **—** | (2,516) |
| | **—** | 103,884 |

Prior to the disposal of CCBS, the Group offered its customers various payment terms for provision of cord blood stem cell storage services. The amount represents instalments receivable from the rendering of cord blood stem cell examination and processing services, which is stated at amortised cost with an effective interest rate of 3.16% per annum. The amount receivable within twelve months from the balance sheet date is included under current assets. The Group's credit policy is set out in note 39(a).

## 23 OTHER FINANCIAL ASSETS *(Continued)*

### (a) *Non-current trade receivables* (Continued)

Note:

*Impairment of non-current trade receivables*

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

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

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| At beginning of the year | **2,516** | 352 |
| Impairment loss recognised | **40** | 2,153 |
| Exchange adjustments | **—** | 11 |
| Disposal of subsidiaries | **(2,556)** | — |
| At end of the year | **—** | 2,516 |

At 31 March 2009, the Group's non-current trade receivables of $2,818,000 were individually determined to be wholly or partially impaired. The individually impaired receivables related to customers that had defaulted on payments and management assessed that only a portion of the receivables was expected to be recovered. Consequently, a specific allowance for doubtful debts of $2,516,000 was recognised. The Group did not hold any collateral over these balances. The remaining non-current trade receivables were neither past due nor impaired.

### (b) *Non-current prepayments*

Included in non-current prepayments of the Group and the Company as at 31 March 2010 is earnest money of $392,980,000 (2009: $767,287,000) and $69,123,000 (2009: $767,287,000), respectively, for potential acquisitions. The amounts paid as at 31 March 2010 are for the proposed acquisition of an entity in the PRC which possesses certain properties under construction. The terms of the proposed acquisition have not yet been finalised up to the date of these financial statements. The amounts paid as at 31 March 2009 were for the acquisition of a 60% interest in a PRC entity which possessed a nationwide hospital management license in the PRC and the management rights to two hospitals in the PRC. The acquisition was completed on 30 June 2009 (see note 37(a)).

The remaining non-current prepayments include deposits for the acquisition of plant and equipment and rental prepayments. Non-current prepayments are neither past due nor impaired.

## 24 OTHER INVESTMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Financial assets at fair value through profit or loss | | | | |
| - equity securities listed in Hong Kong | **72,697** | 45,874 | **—** | — |
| - equity securities listed outside Hong Kong | **5,254** | 4,711 | **151** | 120 |
| | **77,951** | 50,585 | **151** | 120 |

## 25 INVENTORIES

### (a) *Inventories in the consolidated balance sheet comprise:*

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Raw materials | **815** | 8,878 |
| Work in progress | **1,547** | 2,448 |
| Finished goods | **11,533** | 46,795 |
| | **13,895** | 58,121 |

Included in finished goods are preservation costs related to cord blood stem cells of $Nil (2009: $28,894,000). Preservation costs consist primarily of direct labour and materials including laboratory expenses, blood stem cells collection fees and indirect costs including allocations of costs from relevant departments and facility depreciation.

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

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Carrying amount of inventories sold | **94,042** | 113,995 |

## 26 TRADE RECEIVABLES

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Trade receivables | **108,458** | 224,552 |
| Less: Allowance for doubtful debts (note 26(b)) | **(6,283)** | (14,867) |
| | **102,175** | 209,685 |

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

### (a) Details of the ageing analysis of trade receivables (net of allowance for doubtful debts) are as follows:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Within six months | **101,653** | 182,597 |
| Between seven and twelve months | **108** | 20,850 |
| Over one year but within two years | **414** | 6,238 |
| | **102,175** | 209,685 |

The Group's credit policy is set out in note 39(a).

## 26 TRADE RECEIVABLES *(Continued)*

### *(b) Impairment of trade receivables*

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

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

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| At beginning of the year | **14,867** | 9,087 |
| Impairment loss recognised | **1,150** | 5,572 |
| Exchange adjustments | **20** | 208 |
| Disposal of subsidiaries | **(9,754)** | — |
| At end of the year | **6,283** | 14,867 |

At 31 March 2010, the trade receivables of the Group totalling $6,309,000 (2009: $20,366,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and/or have defaulted on payments and management assessed that only a portion of the receivables is expected to be recovered. Consequently, a specific allowance for doubtful debts of $6,283,000 (2009: $14,867,000) was recognised. The Group does not hold any collateral over these balances.

## 26 TRADE RECEIVABLES *(Continued)*

### (c) *Trade receivables that are not impaired*

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Neither past due nor impaired | **87,845** | 159,907 |
| Past due but not impaired | | |
| Within six months | **13,808** | 22,180 |
| Between seven and twelve months | **108** | 20,806 |
| Over one year but within two years | **388** | 1,293 |
| | **14,304** | 44,279 |
| | **102,149** | 204,186 |

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

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

## 27 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments are expected to be recovered within one year and are neither past due nor impaired.

## 28 CASH AND BANK BALANCES

### (a) *Cash and bank balances comprise:*

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Deposits with banks | **2,664** | — | **2,129** | — |
| Cash at bank and on hand | **823,493** | 811,318 | **48,474** | 29,864 |
| | **826,157** | 811,318 | **50,603** | 29,864 |

## 28 CASH AND BANK BALANCES *(Continued)*

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

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| Profit before taxation | | | |
| - From continuing operations | | **158,355** | 56,632 |
| - From discontinued operation | 11(a) | **26,853** | 65,699 |
| | | **185,208** | 122,331 |
| Adjustments for: | | | |
| - Depreciation | 16(a) | **24,969** | 21,200 |
| - Amortisation of land lease premium | 16(a) | **103** | 103 |
| - Amortisation of intangible assets | 17 | **22,389** | 3,271 |
| - Interest income | 5 | **(25,076)** | (30,453) |
| - Dividend income from listed securities | 5 | **(2)** | (6,750) |
| - Transfer from equity on disposal of available-for-sale equity securities | 6 | **—** | (59,703) |
| - Transfer from equity on impairment of available-for-sale equity securities | 6 | **—** | 42,626 |
| - Impairment loss on available-for-sale equity securities carried at cost less impairment | 6 | **3,000** | — |
| - Net realised and unrealised (gain)/loss on financial assets at fair value through profit or loss | 6 | **(28,425)** | 14,540 |
| - Net loss/(gain) on disposal of property, plant and equipment | 6 | **131** | (14) |
| - Increases in fair value of financial liabilities at fair value through profit or loss | 35 | **102,357** | — |
| - Finance costs | 7(a) | **8,520** | 13,091 |
| - Gain on deemed disposal of partial interests in associates | 20 | **(47,542)** | — |
| - Share of profits less losses of associates | 20 | **(9,150)** | 132,606 |
| - Share of profits of jointly controlled entities | 21 | **(76,031)** | (47,985) |
| - Equity-settled share based payment expenses | 7(b) | **26,985** | — |
| - Effect of foreign exchange rates | | **(11,449)** | 83,988 |
| Operating profit before changes in working capital | | **175,987** | 288,851 |
| Increase in non-current trade receivables | | **(29,016)** | (72,810) |
| Decrease in non-current prepayments | | **40,623** | 2,243 |
| Decrease/(increase) in inventories | | **8,312** | (8,022) |
| Decrease/(increase) in trade receivables | | **43,773** | (44,921) |
| Decrease/(increase) in other receivables, deposits and prepayments | | **11,088** | (50,301) |
| Increase in amount due from a jointly controlled entity | | **(2,839)** | — |
| Increase in trade payables | | **60,626** | 13,501 |
| Decrease in other payables and accruals | | **(29,960)** | (28,524) |
| Increase in deferred income | | **28,111** | 2,325 |
| Increase/(decrease) in other non-current liabilities | | **1,004** | (268) |
| Cash generated from operations | | **307,709** | 102,074 |

## 29 TRADE PAYABLES

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

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Due within three months or on demand | **93,682** | 39,524 |

## 30 OTHER PAYABLES AND ACCRUALS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Other payables and accruals | **34,408** | 46,088 | **7,652** | 8,555 |
| Deferred income | **—** | 21,511 | **—** | — |
| | **34,408** | 67,599 | **7,652** | 8,555 |

## 31 BANK LOANS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Within one year or on demand | **113,572** | — | **—** | — |
| After one year but within two years | **—** | 113,212 | **—** | — |
| After two years but within five years | **232,960** | 232,492 | **232,960** | 232,492 |
| | **232,960** | 345,704 | **232,960** | 232,492 |
| | **346,532** | 345,704 | **232,960** | 232,492 |

## 31 BANK LOANS *(Continued)*

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Secured | **113,572** | 113,212 | **—** | — |
| Unsecured | **232,960** | 232,492 | **232,960** | 232,492 |
| | **346,532** | 345,704 | **232,960** | 232,492 |

The bank loan of $113,572,000 (2009: $113,212,000) is secured by interests in leasehold land and buildings as detailed in note 16(c).

Included in non-current bank loans of the Group and the Company is a loan of $232,960,000 (2009: $232,492,000) which is unsecured, has a five-year term and carries interest based on changes in an interest rate index. The loan contains an embedded interest rate collar such that interest on the loan lies within the range of 0% to 13% per annum. The embedded derivatives are considered closely related to the host debt contract. The loan is therefore measured at amortised cost.

Unsecured bank loan facilities of the Group and the Company of $232,960,000 (2009: $232,492,000) are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 39(b). As at 31 March 2010 and 2009, none of the covenants relating to drawn down facilities had been breached.

## 32 OBLIGATIONS UNDER A FINANCE LEASE

At 31 March 2010, the Group and the Company had obligations under a finance lease repayable as follows:

| | The Group and the Company | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | **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 | **926** | **1,044** | 877 | 1,044 |
| After one year but within two years | **977** | **1,044** | 926 | 1,044 |
| After two years but within five years | **682** | **695** | 1,659 | 1,738 |
| | **1,659** | **1,739** | 2,585 | 2,782 |
| | **2,585** | **2,783** | 3,462 | 3,826 |
| Less: Total future interest expenses | | **(198)** | | (364) |
| Present value of lease obligations | | **2,585** | | 3,462 |

## 33 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

### *(a) Current taxation in the consolidated balance sheet represents:*

| | The Group | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| PRC income tax payable | **12,366** | 637 |
| Representing: | | |
| - Current taxation recoverable | **—** | (4,255) |
| - Current taxation payable | **12,366** | 4,892 |
| | **12,366** | 637 |

## 33 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

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

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

| | The Group | | | | |
|---|---|---|---|---|---|
| | **Depreciation/ amortisation allowance in excess of the related depreciation/ amortisation $'000** | **Intangible assets $'000** | **Allowance for doubtful debts $'000** | **Others $'000** | **Total $'000** |
| *Deferred tax arising from:* | | | | | |
| At 1 April 2008 | (3,485) | — | (1,912) | (85) | (5,482) |
| Charged/(credited) to the income statement (note 8) | 169 | — | (1,177) | (182) | (1,190) |
| Exchange adjustments | (76) | — | (44) | (2) | (122) |
| At 31 March 2009 | (3,392) | — | (3,133) | (269) | (6,794) |
| At 1 April 2009 | (3,392) | — | (3,133) | (269) | (6,794) |
| Acquisition of subsidiaries (note 37(a)) | — | 210,015 | — | (923) | 209,092 |
| (Credited)/charged to the income statement (note 8) | (1,912) | (5,390) | (548) | 1,327 | (6,523) |
| Exchange adjustments | (5) | 649 | (3) | (1) | 640 |
| Disposal of subsidiaries (note 37(b)) | 3,119 | — | 2,467 | (134) | 5,452 |
| **At 31 March 2010** | **(2,190)** | **205,274** | **(1,217)** | **—** | **201,867** |

## 33 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

### (b) Deferred tax (assets)/liabilities recognised: *(Continued)*

(ii) Reconciliation to the balance sheet

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$'000** | $'000 |
| Net deferred tax assets recognised in the balance sheet | **(3,407)** | (6,794) |
| Net deferred tax liabilities recognised in the balance sheet | **205,274** | — |
| | **201,867** | (6,794) |

### (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 $20,009,000 (2009: $18,097,000) 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. The cumulative tax losses of $18,097,000 (2009: $18,097,000) do not expire under the current tax legislation while tax losses amounting to $1,912,000 (2009:$Nil) will expire in five years under the current tax legislation.

### (d) Deferred tax liabilities not recognised

At 31 March 2010, temporary differences relating to the undistributed profits of subsidiaries amounted to $411,377,000 (2009: $238,001,000). Deferred tax liabilities of $20,569,000 (2009: $16,060,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

## 34 DEFERRED INCOME

Deferred income represents prepaid cord blood examination, processing and storage fees received from customers for which the related services are expected to be rendered after more than one year from the balance sheet date.

## 35 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Convertible notes | | | | |
| - issued by the Company | **177,496** | — | **177,496** | — |
| - issued by a subsidiary | **232,825** | — | **—** | — |
| | **410,321** | — | **177,496** | — |
| Written option to subscribe for additional convertible notes | | | | |
| - issued by the Company | **5,612** | — | **5,612** | — |
| Warrants | | | | |
| - issued by the Company | **41,640** | — | **41,640** | — |
| | **457,573** | — | **224,748** | — |

Increases in fair value of the financial liabilities for the year ended 31 March 2010 of $102,357,000 (2009: $Nil) have been charged to profit or loss. As at 31 March 2010, difference between the transaction price and the fair value of convertible notes and warrants determined using unobservable inputs of $103,071,000 (2009: $Nil) is deferred and has not yet been recognised.

### *(a) Convertible notes and warrants issued by the Company*

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

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

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

— If a noteholder exercises his conversion rights, the Company is required to deliver its ordinary shares initially at US$0.1601 per share, subject to adjustments under certain terms and conditions of the convertible notes.

Unless previously redeemed or converted, the convertible notes of the July issue and the September issue will be redeemed at face value on 20 July 2014 and 9 September 2014 respectively.

## 35 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

### (a) *Convertible notes and warrants issued by the Company* *(Continued)*

Upon the closing of the issuance of the convertible notes, the Company has issued, by way of bonus, warrants to the noteholders to subscribe for 19,080,328 and 29,002,098 ordinary shares of $0.1 each of the Company, at an exercise price of US$0.1747 per share, respectively. The warrants are exercisable at any time up to 20 July 2014 and 9 September 2014 respectively at the warrant holders' option.

Further details of the convertible notes and warrants are set out in the Company's announcements dated 30 April and 24 August 2009.

### (b) *Convertible notes issued by a subsidiary*

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

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

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

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

Unless previously redeemed or converted, the convertible notes will be redeemed at face value on 30 October 2014. Further details of the convertible notes are set out in the Company's announcement dated 30 September 2009.

## 36 CAPITAL AND RESERVES

### (a) Movements in components of equity

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

| | Note | Share capital $'000 | Share premium $'000 | Capital redemption reserve $'000 | Capital reserve $'000 | Retained profits $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2008** | | 154,352 | 1,018,875 | 4,908 | 10,165 | 41,274 | 1,229,574 |
| **Changes in equity for 2009:** | | | | | | | |
| Issue of shares | 36(b)(ii) | 6,000 | 51,474 | — | — | — | 57,474 |
| Shares repurchased and cancelled | 36(b)(iii) | (960) | (18,864) | 960 | — | (960) | (19,824) |
| Total comprehensive income for the year | | — | — | — | — | 40,711 | 40,711 |
| **Balance at 31 March 2009 and 1 April 2009** | | 159,392 | 1,051,485 | 5,868 | 10,165 | 81,025 | 1,307,935 |
| **Changes in equity for 2010:** | | | | | | | |
| Issue of shares upon conversion of convertible notes | 36(b)(iv) | **3,373** | **34,289** | **—** | **—** | **—** | **37,662** |
| Equity settled shared-based payment expenses | | **—** | **—** | **—** | **26,985** | **—** | **26,985** |
| Total comprehensive income for the year | | **—** | **—** | **—** | **—** | **105,966** | **105,966** |
| **Balance at 31 March 2010** | | **162,765** | **1,085,774** | **5,868** | **37,150** | **186,991** | **1,478,548** |

## 36 CAPITAL AND RESERVES *(Continued)*

### (b) Share capital

| | Note | 2010 No. of shares ('000) | 2010 $'000 | 2009 No. of shares ('000) | 2009 $'000 |
|---|---|---|---|---|---|
| *Authorised:* | | | | | |
| Ordinary shares of $0.1 each | (i) | **4,000,000** | **400,000** | 2,000,000 | 200,000 |
| *Issued and fully paid:* | | | | | |
| At beginning of the year | | **1,593,922** | **159,392** | 1,543,522 | 154,352 |
| Issue of shares | (ii) | **—** | **—** | 60,000 | 6,000 |
| Shares repurchased and cancelled | (iii) | **—** | **—** | (9,600) | (960) |
| Issue of shares upon conversion of convertible notes | (iv) | **33,729** | **3,373** | — | — |
| At the end of the year | | **1,627,651** | **162,765** | 1,593,922 | 159,392 |

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

Notes:

(i) Increase in authorised share capital

By an ordinary resolution passed at the annual general meeting held on 29 August 2009, the Company's authorised ordinary share capital was increased to $400,000,000 by the creation of an additional 2,000,000,000 ordinary shares of $0.1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(ii) Issue of shares

On 26 November 2008, the Company entered into placing and subscription agreements to place 60,000,000 new ordinary shares of $0.1 each. Total proceeds of $57,474,000, net of share issuance expenses, were raised and $6,000,000 was credited to share capital and the balance of $51,474,000 was credited to the share premium account.

(iii) Repurchase of own shares

During the year ended 31 March 2009, a total of 9,600,000 shares were repurchased at an aggregate price paid of $19,824,000, which includes related expenses of $37,000.

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law (2004 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of $960,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $18,864,000 was charged to the share premium account.

## 36 CAPITAL AND RESERVES *(Continued)*

### *(b) Share capital* *(Continued)*

Notes: *(Continued)*

(iv) Issue of shares upon conversion of convertible notes

During the year ended 31 March 2010, 33,729,000 ordinary shares of $0.1 each were issued upon the conversion of convertible notes. Following the conversion, the share capital and share premium accounts of the Company have been increased by $3,373,000 and $34,289,000 respectively.

### *(c) Reserves*

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Share premium | **1,085,774** | 1,051,485 | **1,085,774** | 1,051,485 |
| Capital redemption reserve | **5,868** | 5,868 | **5,868** | 5,868 |
| Capital reserve | **37,150** | 13,388 | **37,150** | 10,165 |
| Merger reserve | **54,193** | 54,193 | **—** | — |
| Exchange reserve | **222,722** | 219,132 | **—** | — |
| Surplus reserve | **90,254** | 81,130 | **—** | — |
| Fair value reserve | **13,535** | (1,377) | **—** | — |
| Other reserve | **(71,661)** | (4,670) | **—** | — |
| Retained profits | **1,707,660** | 1,601,819 | **186,991** | 81,025 |
| | **3,145,495** | 3,020,968 | **1,315,783** | 1,148,543 |

***Nature and purpose of reserves:***

*(i) Share premium*

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

*(ii) Capital redemption reserve*

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

## 36 CAPITAL AND RESERVES *(Continued)*

### (c) Reserves *(Continued)*

***Nature and purpose of reserves:*** *(Continued)*

*(iii) Capital reserve*

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

*(iv) Merger reserve*

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

*(v) Exchange reserve*

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

*(vi) Surplus reserve*

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

*(vii) Fair value reserve*

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

*(viii) Other reserve*

The following are charged/credited to other reserve in accordance with the accounting policy set out in note 2(c):

(i) the excess of purchase consideration on acquisition of minority interests over the carrying value of share of net assets acquired; and

(ii) gain on deemed disposal or partial disposal of subsidiary where the Group's interest in a subsidiary is decreased without losing control.

## 36 CAPITAL AND RESERVES *(Continued)*

### *(d) Distributability of reserves*

At 31 March 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $1,272,765,000 (2009: $1,132,510,000). The directors do not recommend the payment of a dividend for the year ended 31 March 2010.

### *(e) Capital management*

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

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

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

During 2010, the Group's strategy, which was unchanged from 2009, 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 2010 and 2009 were as follows:

| | | **The Group** | | **The Company** | |
|---|---|---|---|---|---|
| | Note | **2010** | 2009 | **2010** | 2009 |
| | | **$'000** | $'000 | **$'000** | $'000 |
| Bank loans | 31 | **346,532** | 345,704 | **232,960** | 232,492 |
| Obligations under a finance lease | 32 | **2,585** | 3,462 | **2,585** | 3,462 |
| Financial liabilities at fair value through profit or loss | 35 | **457,573** | — | **224,748** | — |
| Total debt | | **806,690** | 349,166 | **460,293** | 235,954 |
| **Total equity** | | **3,575,052** | 3,537,522 | **1,478,548** | 1,307,935 |
| **Debt-to-capital ratio** | | **22.56%** | 9.87% | **31.13%** | 18.04% |

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

## 37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### *(a) Acquisition of subsidiaries*

On 30 June 2009, the Group completed the acquisition of a 60% equity interest in GMHM (China) and its subsidiaries. The acquired group possesses a nationwide hospital management license in the PRC and the management rights to two hospitals in the PRC. Total consideration for the acquisition was $830,000,000, satisfied in cash.

The acquired subsidiaries are engaged in the provision of hospital management services and have been identified as an operating segment. The contribution to the Group's revenue and profit for the year is disclosed in note 15.

Details of net assets acquired and goodwill are as follows:

| | **Carrying amount** | **Fair value** |
|---|---|---|
| | $'000 | $'000 |
| *Net assets acquired:* | | |
| Fixed assets (note 16) | 20,578 | 20,578 |
| Intangible assets (note 17) | — | 840,061 |
| Other financial assets | 26,645 | 26,645 |
| Deferred tax assets (note 33(b)) | — | 923 |
| Other receivables, deposits and prepayments | 16,442 | 16,442 |
| Cash and bank balances | 34,057 | 34,057 |
| Other payables and accruals | (54,705) | (54,705) |
| Deferred tax liabilities (note 33(b)) | — | (210,015) |
| Net assets acquired | | 673,986 |
| Minority interests | | (269,595) |
| Goodwill arising from acquisition (note 18) | | 425,609 |
| Total purchase price paid, satisfied in cash | | 830,000 |

Goodwill arising from the acquisition represents value of the acquired business attributable to its leading market position and potential synergy with the Group.

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

| | $'000 |
|---|---|
| Total purchase price | 830,000 |
| Amounts paid in prior years | (767,287) |
| Cash and cash equivalents acquired | (34,057) |
| | 28,656 |

## 37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

### *(b) Disposal of subsidiaries*

On 30 June 2009, the Company completed the disposal of CCBS and its subsidiaries pursuant to the Share Transfer Agreement (see note 11). Details of the assets and liabilities disposed of are as follows:

| | $'000 |
|---|---|
| Fixed assets (note 16) | 280,523 |
| Intangible assets (note 17) | 83,270 |
| Goodwill (note 18) | 66,663 |
| Available-for-sale equity securities | 37,165 |
| Other financial assets | 20,775 |
| Deferred tax assets (note 33(b)) | 5,452 |
| Inventories | 36,099 |
| Trade receivables | 198,751 |
| Other receivables, deposits and prepayments | 69,033 |
| Cash and bank balances | 256,555 |
| Trade payables | (6,594) |
| Bank loan | (50,951) |
| Other payables and accruals | (56,587) |
| Other non-current liabilities | (16,087) |
| Current taxation payable | (4,240) |
| Deferred income | (112,417) |
| Net assets disposed of | 807,410 |
| Release of reserves | (851) |
| Minority interests | (372,269) |
| Loss on disposal of subsidiaries | (31,894) |
| Interest in associates recognised upon disposal of subsidiaries | 402,396 |

**Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries**

| | |
|---|---|
| Cash and cash equivalents disposed of | (256,555) |

## 38 SHARE OPTIONS

### *(a) Share option schemes of the Company*

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

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

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

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

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

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

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

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

## 38 SHARE OPTIONS *(Continued)*

### *(a) Share option schemes of the Company* (Continued)

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

(6) Pursuant to each of the 2002 Scheme and the Current Scheme, a share option may be granted by the Board upon any terms and conditions as it may think fit subject to the rules of the Schemes and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. Save for this, there are neither any performance targets that need to be achieved by the grantee nor any minimum period for which a share option must be held before a share option can be exercised.

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

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

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

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

(c) the nominal value of the shares.

(9) On 27 April 2009, the Company granted 63,000,000 share options to the Current Participants under the Current Scheme, subject to acceptance by the grantees. Each share option entitles the holder to subscribe for one share of $0.1 of the Company at an exercise price of $1.15. The contractual life of these share options is the period from the date on which an option certificate is issued after acceptance by the grantees and expiring on the business day immediately preceding the tenth anniversary of the date of grant. Among the 63,000,000 share options granted, 18,800,000 share options were granted to the directors of the Company. Further details are set out in the Company's announcement dated 27 April 2009.

*(Expressed in Hong Kong dollars unless otherwise indicated)*

## 38 SHARE OPTIONS *(Continued)*

### *(a) Share option schemes of the Company* *(Continued)*

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

| | Exercise price $ | Number of share options | Vesting conditions | Contractual life of share options |
|---|---|---|---|---|
| Share options granted to directors: | | | | |
| - on 4 March 2005 ("Option 1") | 1.60 | 2,400,000 | - immediately 3 months after the date of grant | Expire at the close of business on 28 February 2015 |
| - on 30 March 2005 ("Option 2") | 1.76 | 63,206,245 | - up to 20% immediately after 6 months from the date of grant<br>- up to 60% immediately after 18 months from the date of grant<br>- up to 100% immediately after 30 months from the date of grant | Expire at the close of business on 3 March 2015 |
| - on 27 April 2009 ("Option 3") | 1.15 | 18,800,000 | - up to 30% immediately after the date of grant<br>- up to 60% immediately after 6 months from the date of grant<br>- up to 100% immediately after 12 months from the date of grant | Expire at the close of business on 26 April 2019 |
| Share options granted to employees: | | | | |
| - on 4 March 2005 ("Option 1") | 1.60 | 11,870,000 | - immediately 3 months after the date of grant | Expire at the close of business on 28 February 2015 |
| - on 27 April 2009 ("Option 3") | 1.15 | 44,200,000 | - up to 30% immediately after the date of grant<br>- up to 60% immediately after 6 months from the date of grant<br>- up to 100% immediately after 12 months from the date of grant | Expire at the close of business on 26 April 2019 |
| | | 140,476,245 | | |

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

## 38 SHARE OPTIONS *(Continued)*

### *(a) Share option schemes of the Company* *(Continued)*

(iii) The number and weighted average exercise prices of share options are as follows:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Weighted average exercise price** | **Number of options** | Weighted average exercise price | Number of options |
| | **$** | **'000** | $ | '000 |
| Outstanding at the beginning of the year | **1.73** | **77,476** | 1.73 | 77,476 |
| Granted during the year | **1.15** | **63,000** | — | — |
| Outstanding at the end of the year | **1.47** | **140,476** | 1.73 | 77,476 |
| Exercisable at the end of the year | **1.54** | **115,276** | 1.73 | 77,476 |

No share options were exercised, lapsed or were cancelled during the years ended 31 March 2010 and 2009.

The options outstanding at 31 March 2010 had an exercise price of $1.15 to $1.76 (2009: $1.60 or $1.76) and a weighted average remaining contractual life of 6.79 years (2009: 5.93 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

## 38 SHARE OPTIONS *(Continued)*

### *(a) Share option schemes of the Company* *(Continued)*

(iv) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the services received is measured based on the Black-Scholes pricing model. The contractual life of the share option and expectations of early exercise are incorporated into the Black-Scholes pricing model.

*Fair value of share options and assumptions*

| | |
|---|---|
| Fair value at measurement date | |
| - Option 1 | $0.098 |
| - Option 2 | $0.139 |
| - Option 3 | $0.441 |
| Share price | |
| - Option 1 | $1.60 |
| - Option 2 | $1.52 |
| - Option 3 | $1.14 |
| Exercise price | |
| - Option 1 | $1.60 |
| - Option 2 | $1.76 |
| - Option 3 | $1.15 |
| Expected volatility (expressed as a weighted average volatility used in the modelling under the Black-Scholes pricing model) | |
| - Option 1 | 46.77% |
| - Option 2 | 45.63% |
| - Option 3 | 55.71 - 61.55% |
| Share option expected life (expressed as a weighted average life used in the modelling under the Black-Scholes pricing model) | |
| - Option 1 | 0.33 years |
| - Option 2 | 0.6 - 2.6 years |
| - Option 3 | 2.7 - 3.7 years |
| Expected dividend yield | |
| - Option 1 | — |
| - Option 2 | 1.39 - 2.35% |
| - Option 3 | 0.67% |
| Risk-free interest rate (based on Exchange Fund Notes) | |
| - Option 1 | 1.789% |
| - Option 2 | 2.669 - 3.568% |
| - Option 3 | 1.011 - 1.383% |

(Expressed in Hong Kong dollars unless otherwise indicated)

## 38 SHARE OPTIONS *(Continued)*

### *(a) Share option schemes of the Company (Continued)*

(iv) Fair value of share options and assumptions *(Continued)*

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividend yields are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimates.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

### *(b) Share option scheme of China Stem Cells Holdings Limited ("CSC")*

CSC, a subsidiary of CCBS and hence a subsidiary of the Company up to 30 June 2009, operated a share option scheme ("CSC Scheme") which was adopted on 21 September 2006 (the "Effective Date") whereby the directors of CSC are authorised, at their discretion, to offer any employee (including any director) options to subscribe for shares in CSC to recognise their contributions to the growth of CSC. Each share option gives the holder the right to subscribe for one share of CSC. The CSC Scheme is valid and effective for a period of ten years ending on 21 September 2016.

The terms and conditions of the share options granted under the CSC Scheme and that existed during the years are as follows, whereby all share options are settled by physical delivery of shares:

| | Exercise price $ | Number of share options | Vesting conditions | Contractual life of share options |
|---|---|---|---|---|
| Share options granted to directors of the Company on 21 September 2006 | 450 | 40,000 | - up to 30% immediately from the Effective Date<br>- up to 60% immediately after 12 months from the Effective Date<br>- up to 100% immediately after 18 months from the Effective Date | Expire at the close of business on 27 August 2016 |
| Share options granted to employees on 21 September 2006 | 450 | 60,000 | - up to 30% immediately from the Effective Date<br>- up to 60% immediately after 12 months from the Effective Date<br>- up to 100% immediately after 18 months from the Effective Date | Expire at the close of business on 27 August 2016 |
| | | 100,000 | | |

The share options were fully exercised on 30 June 2009.

## 39 FINANCIAL INSTRUMENTS

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

These risks are limited by the Group's financial management policies and practices described below:

### (a) Credit risk

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

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The status of the receivables is closely monitored to minimise any credit risk associated with these receivables. Except for instalment receivables as at 31 March 2009 from the rendering of cord blood bank services (discontinued during the year ended 31 March 2010), trade receivables are due within 60 to 180 days from the date of billing. For instalments receivable, a regular review is carried out and follow up actions are taken on overdue amounts to minimise the Group's exposure to credit risk. Normally, the Group does not hold any collateral over trade receivables. For amounts due from associates, the management closely monitors credit risk based on the financial positions of the counterparties. Cash at bank and bank deposits are deposited with licensed financial institutions with high credit ratings. The Group monitors the exposure to each financial institution.

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

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

At the balance sheet date, the Group has a certain concentration of credit risk as 45% (2009: 48%) and 99% (2009: 72%) of the trade receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees disclosed in note 41, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 41.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in notes 23(a) and 26.

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Liquidity risk*

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

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

| The Group | 2010 | | | | | | 2009 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Contractual undiscounted cash flow | | | | | | Contractual undiscounted cash flow | | | | | |
| | Within 1 year or on demand $'000 | More than 1 year but less than 2 years $'000 | More than 2 years but less than 5 years $'000 | More than 5 years $'000 | Total $'000 | Balance sheet carrying amount $'000 | Within 1 year or on demand $'000 | More than 1 year but less than 2 years $'000 | More than 2 years but less than 5 years $'000 | More than 5 years $'000 | Total $'000 | Balance sheet carrying amount $'000 |
| Trade payables | 93,682 | – | – | – | 93,682 | 93,682 | 39,524 | – | – | – | 39,524 | 39,524 |
| Other payables and accruals | 34,408 | – | – | – | 34,408 | 34,408 | 46,088 | – | – | – | 46,088 | 46,088 |
| Bank loans | 117,002 | – | 232,960 | – | 349,962 | 346,532 | 8,253 | 117,011 | 232,492 | – | 357,756 | 345,704 |
| Convertible notes | 15,553 | 15,553 | 411,666 | – | 442,772 | 410,321 | – | – | – | – | – | – |
| Obligations under a finance lease | 1,044 | 1,044 | 695 | – | 2,783 | 2,585 | 1,044 | 1,044 | 1,738 | – | 3,826 | 3,462 |
| Amounts due to associates | – | – | – | – | – | – | 15,616 | – | – | – | 15,616 | 15,616 |
| Other non-current liabilities | – | 460 | – | – | 460 | 460 | – | 1,205 | 3,152 | 11,137 | 15,494 | 15,494 |
| | 261,689 | 17,057 | 645,321 | – | 924,067 | 887,988 | 110,525 | 119,260 | 237,382 | 11,137 | 478,304 | 465,888 |
| *Financial guarantees issued:* | | | | | | | | | | | | |
| Maximum amount guaranteed (note 41) | 153,322 | – | – | – | 153,322 | – | 421,148 | – | – | – | 421,148 | – |

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### (b) *Liquidity risk* (Continued)

| The Company | 2010 | | | | | | 2009 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Contractual undiscounted cash flow | | | | | | Contractual undiscounted cash flow | | | | | |
| | Within 1 year or on demand $'000 | More than 1 year but less than 2 years $'000 | More than 2 years but less than 5 years $'000 | More than 5 years $'000 | Total $'000 | Balance sheet carrying amount $'000 | Within 1 year or on demand $'000 | More than 1 year but less than 2 years $'000 | More than 2 years but less than 5 years $'000 | More than 5 years $'000 | Total $'000 | Balance sheet carrying amount $'000 |
| Other payables and accruals | 7,652 | — | — | — | 7,652 | 7,652 | 8,555 | — | — | — | 8,555 | 8,555 |
| Bank loans | — | — | 232,960 | — | 232,960 | 232,960 | — | — | 232,492 | — | 232,492 | 232,492 |
| Convertible notes | 4,633 | 4,633 | 165,147 | — | 174,413 | 177,496 | — | — | — | — | — | — |
| Obligations under a finance lease | 1,044 | 1,044 | 695 | — | 2,783 | 2,585 | 1,044 | 1,044 | 1,738 | — | 3,826 | 3,462 |
| Amounts due to associates | — | — | — | — | — | — | 15,395 | — | — | — | 15,395 | 15,395 |
| | 13,329 | 5,677 | 398,802 | — | 417,808 | 420,693 | 24,994 | 1,044 | 234,230 | — | 260,268 | 259,904 |
| *Financial guarantees issued:* | | | | | | | | | | | | |
| Maximum amount guaranteed (note 41) | — | — | 218,400 | — | 218,400 | — | — | — | — | — | — | — |

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

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### (c) *Interest rate risk*

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

#### (i) *Interest rate profile*

The following table details the interest rate profile of the Group and the Company at the balance sheet date:

| | **The Group** | | | | **The Company** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2010** | | 2009 | | **2010** | | 2009 | |
| | **Effective interest rate %** | **$'000** | Effective interest rate % | $'000 | **Effective interest rate %** | **$'000** | Effective interest rate % | $'000 |
| *Fixed rate assets/ (borrowings):* | | | | | | | | |
| Loan to associate | **9.16** | **246,646** | 9.16 | 215,061 | **—** | **—** | — | — |
| Interest-bearing trade receivables | **—** | **—** | 3.16 | 133,486 | **—** | **—** | — | — |
| Deposits with banks | **—** | **2,664** | — | — | **—** | **2,129** | — | — |
| Obligations under a finance lease | **5.43** | **(2,585)** | 5.43 | (3,462) | **5.43** | **(2,585)** | 5.43 | (3,462) |
| | | **246,725** | | 345,085 | | **(456)** | | (3,462) |
| *Variable rate assets/ (borrowings):* | | | | | | | | |
| Cash at bank and on hand | **0.33** | **823,493** | 0.33 | 811,318 | **0.01** | **48,474** | 0.02 | 29,864 |
| Bank loans | **2.26** | **(346,532)** | 2.52 | (345,704) | **0.20** | **(232,960)** | 0.20 | (232,492) |
| | | **476,961** | | 465,614 | | **(184,486)** | | (202,628) |

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### *(c) Interest rate risk* *(Continued)*

#### *(ii) Sensitivity analysis*

It is estimated that a general increase/decrease of 100 basis points in interest rates at 31 March 2010, with all other variables held constant, would have increased/decreased the Group's profit after taxation by approximately $9,259,000/$9,604,000, retained profits by approximately $7,629,000/$7,869,000 and minority interests by approximately $1,630,000/$1,735,000 respectively (2009: profit after taxation and retained profits would have decreased/increased by $3,708,000 with no effect on minority interests).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation, retained profits and minority interests that would arise assuming that the change in interest rates had occurred at the balance sheet date 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 balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after taxation and retained profits 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 2009.

### *(d) Currency risk*

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

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

# 39 FINANCIAL INSTRUMENTS *(Continued)*

## *(d) Currency risk* *(Continued)*

### *(i) Exposure to currency risk*

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

**The Group** — **Exposure to foreign currencies (expressed in Hong Kong dollars)**

| | **2010** | | | | | | 2009 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **United States Dollars $'000** | **Hong Kong Dollars $'000** | **Chinese Renminbi $'000** | **British Pounds Sterling $'000** | **Australian Dollars $'000** | **Singaporean Dollars $'000** | United States Dollars $'000 | Hong Kong Dollars $'000 | Chinese Renminbi $'000 | British Pounds Sterling $'000 | Australian Dollars $'000 | Singaporean Dollars $'000 |
| Loan to associate | **–** | **–** | **–** | **246,646** | **–** | **–** | – | – | – | 215,061 | – | – |
| Available-for-sale equity securities | **110,633** | **–** | **–** | **–** | **–** | **–** | 112,476 | – | – | – | 29,710 | – |
| Other investments | **5,254** | **–** | **–** | **–** | **–** | **–** | 4,711 | – | – | – | – | – |
| Other receivables, deposits and prepayments | **–** | **–** | **77** | **–** | **–** | **556** | – | – | 77 | – | – | 913 |
| Cash and bank balances | **49,367** | **26,687** | **4,792** | **–** | **4** | **1,913** | 16,548 | 4,516 | 505 | – | 641 | 20 |
| Bank loans | **(232,960)** | **–** | **–** | **–** | **–** | **–** | (232,492) | – | – | – | – | – |
| Overall net exposure | **(67,706)** | **26,687** | **4,869** | **246,646** | **4** | **2,469** | (98,757) | 4,516 | 582 | 215,061 | 30,351 | 933 |

**The Company** — **Exposure to foreign currencies (expressed in Hong Kong dollars)**

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **United States Dollars '000** | **Chinese Renminbi '000** | United States Dollars '000 | Chinese Renminbi '000 |
| Other investments | **151** | **—** | 120 | — |
| Cash and bank balances | **44,701** | **113** | 11,887 | 505 |
| Bank loans | **(232,960)** | **—** | (232,492) | — |
| Overall net exposure | **(188,108)** | **113** | (220,485) | 505 |

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### (d) *Currency risk* *(Continued)*

#### (ii) *Sensitivity analysis*

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

| | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Effect on profit after taxation and retained profits $'000** | **Effect on other components of equity $'000** | Increase/ (decrease) in foreign exchange rates | Effect on profit after taxation and retained profits $'000 | Effect on other components of equity $'000 |
| Chinese Renminbi | **5%** | **(1,090)** | **—** | 5% | (196) | — |
| | **(5)%** | **1,090** | **—** | (5)% | 196 | — |
| British Pounds Sterling | **10%** | **24,665** | **—** | 10% | 21,506 | — |
| | **(10)%** | **(24,665)** | **—** | (10)% | (21,506) | — |
| Australian Dollars | **5%** | **—** | **—** | 5% | 32 | 1,485 |
| | **(5)%** | **—** | **—** | (5)% | (32) | (1,485) |
| Singaporean Dollars | **5%** | **125** | **—** | 5% | — | — |
| | **(5)%** | **(125)** | **—** | (5)% | — | — |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date 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 foreign currency risk at the balance sheet date. 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 2009.

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### *(e) Equity price risk*

The Group is exposed to equity price changes arising from equity investments at fair value through profit or loss (see note 24) and available-for-sale equity securities (see note 22). Other than unquoted securities held for strategic purposes, all of these investments are listed.

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

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

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

It is estimated that an increase/decrease of 10% in the fair value of the Group's investments in equity securities at 31 March 2010, with all other variables held constant, would have increased/decreased the Group's profit after taxation and retained profits by approximately $7,795,000 (2009: $5,059,000), and the Group's other components of consolidated equity by approximately $99,000 (2009: $3,062,000).

It is estimated that an increase/decrease of 10% in the equity prices of the Company and a subsidiary at 31 March 2010, with all other variables held constant, would have decreased/increased the Group's profit after taxation by approximately $31,491,000/$25,660,000 (2009: $Nil), retained profits by approximately $27,330,000/$22,285,000 (2009: $Nil) and minority interests by approximately $4,161,000/$3,375,000 (2009: $Nil).

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation, retained profits, minority interests and other components of consolidated equity that would arise assuming that the changes in the fair value of equity securities had occurred at the balance sheet date and had been applied to re-measure those financial instruments held or issued by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the fair value of the equity securities, and that all other variables remain constant. The analysis has been performed on the same basis for 2009.

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### (f) *Fair values*

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

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

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

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

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

**2010**

| | The Group | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | |
| Available-for-sale equity securities | **992** | — | — | **992** |
| Other investments | **77,951** | — | — | **77,951** |
| | **78,943** | — | — | **78,943** |
| **Liabilities** | | | | |
| Convertible notes | — | — | **410,321** | **410,321** |
| Written option to subscribe for additional convertible notes | — | — | **5,612** | **5,612** |
| Warrants | — | — | **41,640** | **41,640** |
| | — | — | **457,573** | **457,573** |

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### *(f) Fair values (Continued)*

#### *(i) Financial instruments carried at fair value (Continued)*

| | The Company | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Assets** | | | | |
| Other investments | **151** | **—** | **—** | **151** |
| **Liabilities** | | | | |
| Convertible notes | **—** | **—** | **177,496** | **177,496** |
| Written option to subscribe for additional convertible notes | **—** | **—** | **5,612** | **5,612** |
| Warrants | **—** | **—** | **41,640** | **41,640** |
| | **—** | **—** | **224,748** | **224,748** |

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

The movement during the years in the balance of Level 3 fair value measurements is as follows:

| | **The Group** | **The company** |
|---|---|---|
| | $'000 | $'000 |
| *Financial liabilities at fair value through profit or loss:* | | |
| At 1 April 2009 | — | — |
| Net proceeds from issuance | 400,692 | 187,367 |
| Interest paid and accrued on convertible notes | (7,814) | (5,903) |
| Conversion of convertible notes | (37,662) | (37,662) |
| Changes in fair value recognised in profit or loss during the year | 102,357 | 80,946 |
| At 31 March 2010 | 457,573 | 224,748 |
| Total losses for the year included in profit or loss for liabilities outstanding at the balance sheet date | 102,357 | 80,946 |

The losses arising from the remeasurement of the financial liabilities at fair value through profit or loss are presented in "Changes in fair value of financial liabilities at fair value through profit or loss" in the consolidated income statement.

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### (f) Fair values *(Continued)*

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

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2010 and 2009 except as follows:

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

(ii) Unlisted equity securities of $109,641,000 (2009: $112,641,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are held for strategic purposes and recognised at cost less impairment losses at the balance sheet date.

### (g) Estimation of fair values

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

#### (i) *Securities*

Fair value is based on quoted market prices at the balance sheet date without any deduction of transaction costs.

#### (ii) *Interest-bearing loans and borrowings and finance lease liabilities*

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

#### (iii) *Financial guarantees*

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

## 39 FINANCIAL INSTRUMENTS *(Continued)*

### (g) *Estimation of fair values* (Continued)

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

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

| | 2010 | |
|---|---|---|
| | **Issued by the Company** | **Issued by a subsidiary** |
| Share price | **$1.95** | **US$1,595** |
| Expected volatility | **58.96%-59.03%** | **38.80%** |
| Expected dividends | **0%** | **0%** |
| Risk-free interest rate | **1.39%-1.42%** | **2.35%** |

## 40 COMMITMENTS

### (a) *Capital commitments for the acquisition of plant and equipment outstanding at 31 March 2010 not provided for in the financial statements were as follows:*

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | 2009 $'000 | **2010 $'000** | 2009 $'000 |
| Contracted for | **2,822** | 3,113 | **—** | — |

### (b) *As at 31 March 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:*

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | 2009 $'000 | **2010 $'000** | 2009 $'000 |
| Within 1 year | **10,586** | 13,648 | **6,121** | 6,755 |
| After 1 year but within 5 years | **14,947** | 19,197 | **11,732** | — |
| After 5 years | **—** | 61,082 | **—** | — |
| | **25,533** | 93,927 | **17,853** | 6,755 |

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

Lease terms of properties of the Group situated on land held under operating leases are disclosed in note 16(e).

## 40 COMMITMENTS *(Continued)*

### *(c) Other commitments*

At 31 March 2010, the Group is committed to contribute a further US$15,982,000 (2009: US$17,000,000), equivalent to $124,660,000 (2009: $132,600,000), as further investments in an unlisted private equity fund classified as available-for-sale equity securities.

## 41 CONTINGENT LIABILITIES

As at 31 March 2010, a subsidiary of the Company has issued guarantees to banks in respect of banking facilities granted to a jointly controlled entity which will expire within one year. Under the guarantees, the subsidiary is liable for the borrowings of the jointly controlled entity under such facilities from the banks which are the beneficiaries of the guarantees. As at the balance sheet date, the directors do not consider it is probable that a claim will be made against the subsidiary under the guarantees. The maximum liability of the Group at the balance sheet date under the guarantees issued is the outstanding amount of the facilities drawn down by the jointly controlled entity of $153,322,000 (2009: $421,148,000).

As at 31 March 2010, the Company has guaranteed the obligations of a subsidiary under certain convertible notes with a principal amount of $218,400,000 (2009: $Nil), issued by the subsidiary (see note 35(b)).

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

## 42 RETIREMENT SCHEMES

### *Hong Kong*

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

### *PRC, other than Hong Kong*

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

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

## 43 MATERIAL RELATED PARTY TRANSACTIONS

### (a) *Transactions with related companies*

During the year ended 31 March 2010, the Group has entered into the following related party transactions:

(i) The Group has made a loan to an associate carried at amortised cost of $246,646,000 (2009: $215,061,000) as at 31 March 2010. Interest income of $21,269,000 (2009: $21,623,000) has been recognised during the year ended 31 March 2010.

(ii) The Group leased certain properties from an associate under operating leases. The amount of operating lease rental incurred in the year ended 31 March 2010 is $1,955,000 (2009: $2,712,000).

(iii) The Group sold finished goods amounting to $2,415,000 (2009: $Nil) to a jointly controlled entity.

(iv) The Group guarantees certain bank loans of a jointly controlled entity (see note 41).

### (b) *Key management personnel remuneration*

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

## 44 NON-ADJUSTING POST BALANCE SHEET EVENTS

### (a) *Issuance of convertible notes and warrants*

As disclosed in note 35(a), the Company issued an option to certain convertible note holders to require the Company to issue additional convertible notes up to a further aggregate principal amount of US$1,000,000, equivalent to $7,800,000.

On 15 April 2010, the option was exercised in full by the option holder. As a result of the exercise of the option, the Company issued to the option holder convertible notes with a total principal amount of US$1,000,000, equivalent to $7,800,000, and warrants to subscribe for 1,908,032 ordinary shares of the Company, on the same terms as the instruments issued in the July issue as described in note 35(a).

### (b) *Conversion of convertible notes*

Subsequent to the balance sheet date and up to 22 July 2010, convertible notes issued by the Company with a total principal amount of US$7,900,000, equivalent to $61,620,000, have been converted by the note holders into 49,344,159 ordinary shares of the Company of $0.1 each.

## 45 COMPARATIVE FIGURES

As a result of the presentation of the Cord Blood Bank service segment as a discontinued operation and the adoption of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in notes 3 and 11.

## 46 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 18, 38 and 39(g) contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

### *(a) Depreciation and amortisation*

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

### *(b) Impairment of assets*

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

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

### *(c) Recognition of deferred tax assets*

The Group has recognised deferred tax assets which arose from deductible temporary differences as set out in note 33(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 the consolidated income statement for the period in which such a reversal takes place.

*(Expressed in Hong Kong dollars unless otherwise indicated)*

## 47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2010 and which have not been adopted in these financial statements.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| HKFRS 3 (revised), *Business combinations* | 1 July 2009 |
| Amendments to HKAS 27, *Consolidated and separate financial statements* | 1 July 2009 |
| Amendments to HKAS 39, *Financial instruments: Recognition and measurement - Eligible hedged items* | 1 July 2009 |
| HK(IFRIC) 17, *Distributions of non-cash assets to owners* | 1 July 2009 |
| Improvements to HKFRSs 2009 | 1 July 2009 or 1 January 2010 |
| Revised HKAS 24, *Related party disclosures* | 1 January 2011 |
| HKFRS 9, *Financial instruments* | 1 January 2013 |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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 material impact on the Group's results of operations and financial position.

# Five-Year Financial Summary

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

## RESULTS

| | Year ended 31 March 2006 | Year ended 31 March 2007 | Year ended 31 March 2008 | Year ended 31 March 2009 (restated) | **Year ended 31 March 2010** |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Turnover | 280,578 | 331,134 | 421,147 | 276,535 | **285,467** |
| Profit from operations | 97,405 | 255,790 | 535,311 | 154,344 | **135,988** |
| Finance costs | (12,431) | (10,817) | (20,628) | (13,091) | **(7,999)** |
| Gain on deemed disposal of interests in an associate and jointly controlled entities | 116,571 | — | 55,416 | — | **47,542** |
| Gain on partial disposal of an associate | 322,218 | — | — | — | **—** |
| Changes in fair value of financial liabilities at fair value through profit or loss | — | — | — | — | **(102,357)** |
| Share of profits less losses of associates and jointly controlled entities | 39,975 | 35,597 | 68,657 | (84,621) | **85,181** |
| Profit before taxation | 563,738 | 280,570 | 638,756 | 56,632 | **158,355** |
| Income tax | (2,466) | (15,818) | (24,244) | (21,118) | **(23,960)** |
| Profit for the year from continuing operations | 561,272 | 264,752 | 614,512 | 35,514 | **134,395** |
| Profit/(loss) for the year from discontinued operation | — | (34,101) | 99,141 | 44,822 | **(10,405)** |
| Profit for the year | 561,272 | 230,651 | 713,653 | 80,336 | **123,990** |
| Attributable to: | | | | | |
| Equity shareholders of the Company | 563,824 | 223,365 | 683,744 | 57,089 | **116,412** |
| Minority interests | (2,552) | 7,286 | 29,909 | 23,247 | **7,578** |
| Profit for the year | 561,272 | 230,651 | 713,653 | 80,336 | **123,990** |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | **2010** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Fixed assets | 303,624 | 273,131 | 351,573 | 414,769 | **175,635** |
| Intangible assets | 523,845 | 516,581 | 85,488 | 84,079 | **821,096** |
| Goodwill | 74,450 | 74,450 | 67,169 | 67,169 | **427,625** |
| Interests in associates | 30,395 | 33,345 | 713,743 | 518,715 | **1,026,286** |
| Interests in jointly controlled entities | — | 504,509 | 657,764 | 712,639 | **722,418** |
| Available-for-sale equity securities | 635,304 | 561,936 | 410,192 | 143,260 | **110,633** |
| Other non-current assets | 61,316 | 77,007 | 481,819 | 944,346 | **396,180** |
| Deferred tax assets | 9,397 | 8,652 | 5,482 | 6,794 | **3,407** |
| | 1,638,331 | 2,049,611 | 2,773,230 | 2,891,771 | **3,683,280** |
| Current assets | 888,482 | 994,427 | 1,416,847 | 1,222,081 | **1,044,652** |
| Total assets | 2,526,813 | 3,044,038 | 4,190,077 | 4,113,852 | **4,727,932** |
| Current liabilities | (197,789) | (283,210) | (198,906) | (128,508) | **(254,954)** |
| Total assets less current liabilities | 2,329,024 | 2,760,828 | 3,991,171 | 3,985,344 | **4,472,978** |
| Non-current liabilities | (223,977) | (38,523) | (438,207) | (447,822) | **(897,926)** |
| Net assets | 2,105,047 | 2,722,305 | 3,552,964 | 3,537,522 | **3,575,052** |
| Attributable to: | | | | | |
| Equity shareholders of the Company | 2,055,998 | 2,560,154 | 3,232,898 | 3,180,360 | **3,308,260** |
| Minority interests | 49,049 | 162,151 | 320,066 | 357,162 | **266,792** |
| Total equity | 2,105,047 | 2,722,305 | 3,552,964 | 3,537,522 | **3,575,052** |

Note:

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

# Corporate Information

***Executive Directors***

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

***Independent Non-executive Directors***

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

***Registered Office***

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Hong Kong

***Stock Code***

801

***Qualified Accountant and Company Secretary***

Mr. KONG Kam Yu, ACA, AHKSA

***Compliance Officer***

Mr. KAM Yuen

***Audit Committee Members***

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

***Remuneration Committee Members***

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

***Authorised Representatives***

Mr. KAM Yuen
Ms. ZHENG Ting

***Legal Advisers to the Company***

*as to Hong Kong law*
Jones Day

***Auditors***

KPMG

***Principal Share Registrar and Transfer Office in the Cayman Islands***

Appleby Corporate Services (Cayman) Limited

***Branch Share Registrar and Transfer Office in Hong Kong***

Computershare Hong Kong Investor Services Limited

***Principal Bankers***

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

***Investor Relations Officer***

Ms. Karen Lau, Senior Investor Relations Manager
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Hospital Management

Blood Related Technology

Cord Blood Banking Operations