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)

Growing from Strength to Strength

ANNUAL REPORT

2010/2011


Enhancing
Shareholders'
Value

CONTENTS

Corporate Profile

Golden Meditech Holdings Limited (the "Company" or "Golden Meditech"; 801.HK), together with its subsidiaries (collectively referred to as the "Group"), is a leading integrated 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 is focused on 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. This division also includes the Group's joint venture in China with Fenwal Inc., a global leader in advanced blood technologies, that will sell and distribute advanced products and technologies for blood collection, storage and transfusion, and to distribute related supplies and medical accessories to blood banks, cord blood banks and other medical institutions.

THE HEALTHCARE SERVICES SEGMENT

Focusing on hospital management and related services, the Group is the first wholly-owned foreign enterprise licensed as a nationwide hospital management operator in China. We currently manage the two largest haematology specialist hospitals in China.

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

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

Over the years, we have successfully established dominant positions in each niche market via our proven strategy to position ourselves as the "entrepreneur + operator + cornerstone investor," thanks to our strengths in innovation, market expertise, and our 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 operations, 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 high investment returns
- Enhance shareholders' value through successful listings of operations

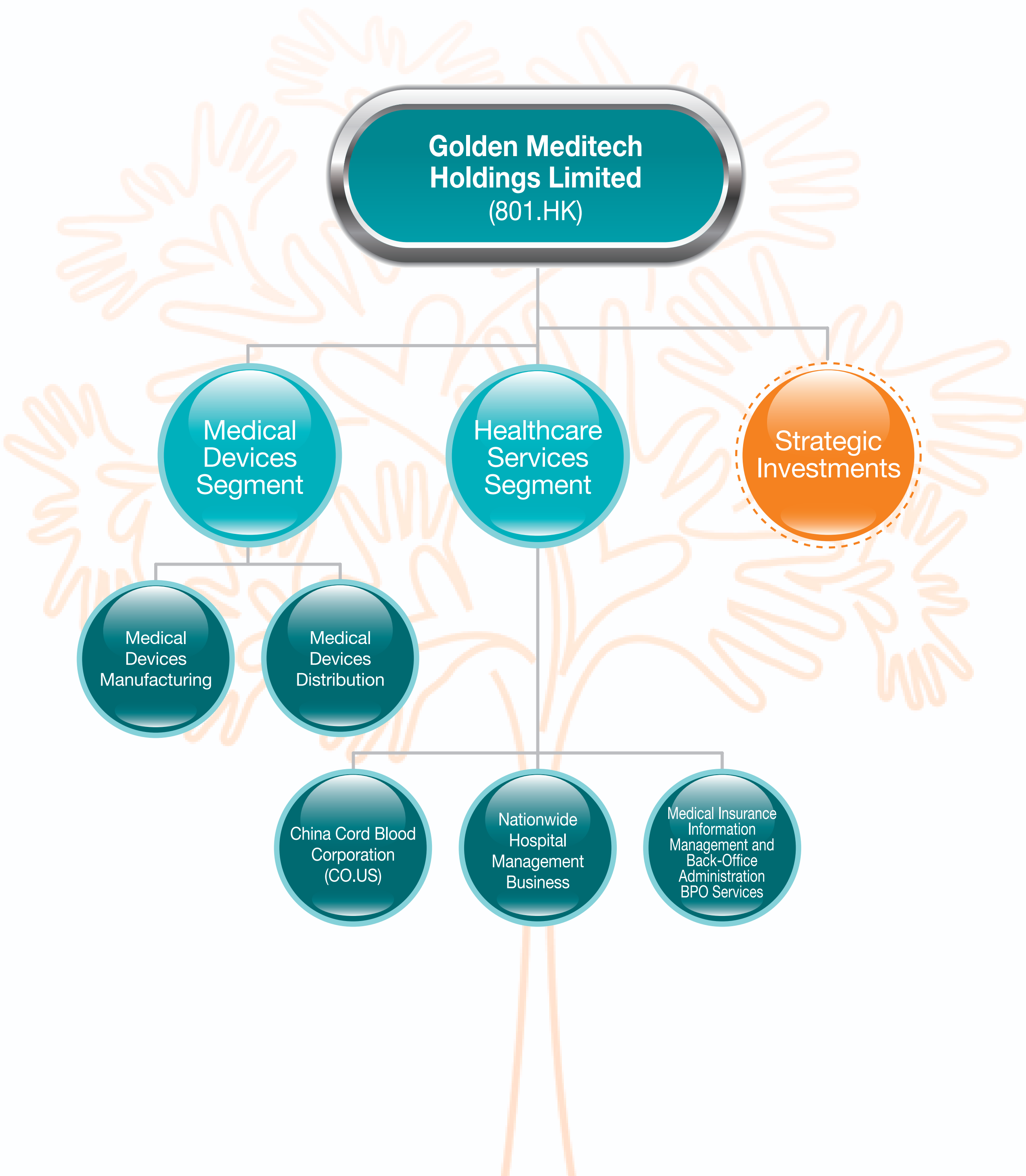
As a leading integrated medical devices and healthcare services player in China with prominent presence in niche and lucrative markets, our seasoned management team has a proven track record for their execution capabilities

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

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
- Strategic investment in Pypo Technology (later became "FunTalk China Holdings Limited")

2007
- Expansion of cord blood banking business into Guangdong Province

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 (801.HK)
- Completed the acquisition and obtained the first ever nationwide hospital management license granted to a wholly-owned foreign entity
- China Cord Blood Corporation (CO.US) successfully listed on New York Stock Exchange
- FunTalk China Holdings Limited ("FunTalk China", 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

2011
- First healthcare industry player from China to have successfully listed its depositary receipts on the Taiwan Stock Exchange
- Associated company, China Cord Blood Corporation, secured exclusive license in Zhejiang Province
- Completed definitive agreement for joint venture with Fenwal Inc., a global leader in blood-related technologies
- Announced acquisition of Shanghai East International Medical Center (SEIMC) to enter into the business of premium healthcare services
- Announced acquisition of a 500-bed hospital facility in Beijing that is in the process of construction, to expand the scale of Beijing Daopei Hospital

Chairman's Statement

Dear Shareholders,

This year marks an important milestone for Golden Meditech Holdings Limited ("Golden Meditech," or the "Group") as it successfully enters into the tenth anniversary of its initial public offering on the Growth Enterprise Market of the Hong Kong Stock Exchange amidst the incessant support and contributions from all our shareholders and employees. The Group has actively pursued and identified a distinctive path that is well aligned with our core strengths, with a clear vision that will ensure continuous growth in all business segments, to create a unique yet integrated healthcare enterprise in the dynamic and growing healthcare market in China. During the previous financial year, Golden Meditech has grown both vertically and horizontally on the back of the thriving healthcare industry with its experienced team of management. We are determined to cultivate a promising outlook and solid foundation for the coming decade. The Group has evidently entered into a momentous point in the development of China's healthcare industry under the State Council's "Opinions on the Further Encouragement and Guidance of the Establishment of Private Medical Institutions"(《關於鼓勵和引導社會資本舉辦醫療機構的意見》), the Economic Cooperation Framework Agreement (ECFA), and the continuous extension of the social security medical coverage which has created a highly favourable regulatory framework. The Group has established strategic footholds in Hong Kong, Mainland China and Taiwan, pooling together capital market resources and collaborated with international industry heavy-weights by forging strategic partnerships that will help enhance Golden Meditech's competitive advantages. Investors from Hong Kong, New York, and Taipei have given acquiesce to the Group's management team, and the Group values their execution capability with a steadfast and prudent approach and diligent hard work. The Group has maintained its growth momentum during the 2010 to 2011 financial year as it continues to adhere to its strategic objectives yet again, attaining 15% increase in total revenue to HK$328,066,000. Profit attributable to shareholders totalled HK$343,208,000 with 195% increase from the previous financial year.

Listing celebration at the Taiwan Stock Exchange

GM Medicare management team and launch ceremony

As a leader in healthcare services specialised in blood-related medical devices, the Group's business portfolio consists of two key areas, with hospital management, cord blood banking, medical insurance business process outsourcing ("BPO") operation belonging to the Healthcare Services segment; and the other operations under the Medical Devices segment. The Group reported substantial growth with significant progress across all business lines. Having adopted a progressive strategy to develop the hospital management operation, the business unit has sustained stable growth in haematology hospitals managed by us under the Daopei Hospital brand name in Beijing and Shanghai, the Group has been actively pursuing the possibility of expanding its hospital management services in Beijing. The number of beds in the new facility for Beijing Daopei Hospital, to be completed by 2012, will increase five-time to 500 beds, laying down a solid foundation for rapid growth. The pending acquisition of Shanghai East International Medical Centre ("SEIMC"), as a recognised high-end brand name established through years of operation and excellent management expertise, has further rendered Golden Meditech as a leading player with a strong brand presence amongst high-caliber healthcare services provider in China.

We are beginning to see the fruits from China Cord Blood Corporation's ("CCBC") strategies in market expansion while controlling costs, which in turn has helped to sustain high revenue growth in both Beijing and Guangdong operations, as the new license for Zhejiang Province and a stake in Shandong Cord Blood Bank has reinforced the CCBC's leadership status in this space. In view of the positive market outlook and growth prospect, subsequent to the reporting period, the Group has also increased its shareholding in CCBC to 39.5%.

The latest addition to the Group's healthcare services portfolio, the medical insurance operation, has enabled the Group to explore opportunities in medical insurance BPO services via joining forces with notable overseas health maintenance organisations (HMOs). The Group has built the necessary technology infrastructures and laying down a solid platform for the rollout of this segment. Medical Devices segment is also set to benefit from favourable policies under the medical reform, the nationwide shortage in surgical blood supply and unleashed demand from utilisation of devices from hospitals, leading to a consistent growth in medical accessories sales. On the other hand, second-tier hospitals will emerge as the driving force in medical devices sales growth in the future.

Based in China, Golden Meditech has leveraged its core competencies to fortify and advance its core operations, actively engaged in identifying strategic cooperation opportunities in the Greater China markets and beyond. Seeking to formulate business strategies that are on par with global practices amidst the globalisation movement, the Group has also managed to capture emerging opportunities in the changing markets. During the year under review, the Group has collaborated with global industry leaders and influential partners, such as the joint venture with Fenwal Inc. and a strategic cooperation memorandum with Long Bon International to tap into the healthcare opportunities across the straits. On 24 January 2011, the Group also successfully listed the Company's shares as Taiwan Depositary Receipts on the Taiwan Stock Exchange, creating a tri-partite platform covering Taiwan, Hong Kong and the Mainland China for the Group's healthcare business and rendering it in an advantageous position to better leverage its resources with greater regional influence and expand its geographical reach, to enhance the Group's resources allocation from a regional point of view. This will assist the Group in taking advantage of the medical reform and to enjoy a head start in capitalising on business opportunities arising from the ECFA.

During the review period, upon considering the constantly changing macro and micro economic environments and certain challenging conditions, the Group has re-aligned its strategic focus to concentrate on developing its Healthcare Services segment, while the Group will continue to develop all business segments and maintain strong growth momentum across the board to better leverage the Group's resources.

China's healthcare industry, albeit still distinctive in its policy-driven nature, has nonetheless seen rising income levels, an ageing population, and an observable increase in public awareness of personal health. These factors have created stronger end-user driven demand to spark the overall industry growth. The latent demand has led the Group to further explore the to-be-unleashed market potential and closely examine the business structure of our Healthcare Services segment which will be the Group's next area of focus to develop its diversified but synergetic healthcare portfolio and beef up the group's overall growth in future.

First of all, the hospital management business has become a key ingredient to the Group's growth as well as creating considerable synergies with and support to the Groups' other business areas. During the review period, the Group's hospital management business contributed HK$80,412,000 in revenue that is equivalent to 25% of the Group's total turnover with a year-on-year increase of 55%. Since China's large population base provides a sizable potential market and the unique deposition for specialist hospitals, as the medical reform progresses forward, demand for healthcare services from the general public will also grow and diversify. We anticipate an accelerating growth in the hospital management business with continuous expansion in the business scale and relevant improvement in its financial performance.

Secondly, CCBC has on the other hand, maintained a rapid growth rate in China. CCBC has pocketed over half of the cord blood banking licenses out of the total seven licenses having been issued so far. The enlarged scale of its operation has also allowed room for leverageable branding synergies. We believe the cord blood banking operation will be able to leverage on its sound operating model, management expertise, premium branding and market leading position to realise its strategic goals as the largest operator in China and beyond in overseas markets.

Thirdly, the Group has joined forces with two leading HMOs from the United States in April 2010 over the launch of GM

Investor roadshow and listing ceremony at the Taiwan Stock Exchange

Medicare Management (China) Company Limited, pioneering as the first specialised medical insurance information management and medical business process out-sourcing service provider to cater for an apparent gap in the market in China, providing a direct solution for service innovation to hospitals in China. In addition to the substantial potential market and impressive prospects for economic returns, the operation will also accelerate integration of the Group's healthcare services business and facilitate overall profitability of this segment.

Encouraging developments for Medical Devices segment, and stepping-up joint innovation and partnerships to lead to greater heights:

As the Ministry of Health has sped up the rollout of infrastructure upgrades in second-tier hospitals across the country, the gradual implementation of the Ministry of Health's "Regulation Governing Hospital Standard Accreditation and Administration" (醫院標準認證管理規範), hospitals from different tiers have also introduced different initiatives to counter the challenges brought about by the national shortage in surgical blood supply, many of which have been advocating more adoption of autologous blood in surgeries. This new sentiment shall give rise to an excellent opportunity for the Group to bolster product rollout amongst second-tier hospitals. The Group has also stepped-up both its marketing and brand building efforts, as a result of which, we have also seen growths in medical devices and the complementary exclusive medical accessories sales at 2% and 10% respectively.

We have also made a key advancement in our collaboration with world leader in blood-technology device manufacturing, Fenwal Inc., with a pending new joint venture to be launched in the second half of 2011. The Group intends to further its presence in the component blood (collection) and blood transfusion devices market that is expected to strengthen our leading position in the specialised blood-related technology market.

As an established business with a track record of delivering consistent earnings, the Medical Devices segment has fulfilled the preliminary criteria for listing. The Group will progressively pursue a separate listing for this segment to realise the Management's objective to enhance shareholders' return.

OUTLOOK

Looking back at the Group's journey from our initial public offering on the Growth Enterprise Market to progress onto the Main Board of the Hong Kong Stock Exchange, Golden Meditech has embarked on a decade long journey as both a witness and participant in the continuously growing healthcare industry in China. We firmly believe in the tremendous potential for the healthcare industry that goes far beyond a vast population as a market basis, but also in the continuous advancement in operating environment, opportunities emerging from a beneficial regulatory environment, greater ability of the general public to afford medical care, changes in market perceptions and values in social security medical coverage and general knowledge of personal hygiene, which all contributed to sustain the high growth of the healthcare industry, reinforcing the Group's confidence in the sector outlook. Firmly anchored in China's healthcare sector, looking ahead, we will make good use of our keen business acumen, wealth of experience in managing a thriving business across regional markets and our track record in strategy execution to capture emerging opportunities in a timely, precise manner with a keen awareness for latest changes in industry trends. This will allow us to nurture our core businesses to further its growth and repatriate our shareholders for their support as pledged.

At the eve of the tenth year anniversary of our listing on the Hong Kong Stock Exchange, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, members of the media, the general public, our dedicated and hardworking management team and staff members for your incessant support over the years. I would like to acknowledge our shareholders as I look forward to your continuous support in the coming decade of even greater achievements.

KAM Yuen
Chairman
30 June 2011

Management Discussion and Analysis

YEAR IN REVIEW

The management is pleased to present the Group's annual results for the year ended 31 March 2011.

Total revenue for the period increased by 15% to HK$328,066,000 as our core businesses in medical devices and hospital management both reported remarkable revenue growth. Growth in revenue is primarily driven by satisfactory growth in medical accessory sales and the hospital management business. The Medical Devices segment and Healthcare Services segment respectively contributed 75% and 25% to the Group's total revenue.

Profit before taxation reported a 154% growth compared to the previous year as our associates, China Cord Blood Corporation, FunTalk China Holdings Limited and Union China National Medical Equipment Corporation together contributed HK$93,458,000 to the Group. Profit attributable to shareholders went up to HK$343,208,000 for the year representing a 195% increase.

In January 2011, the Group successfully listed 90 million units of Taiwan Depositary Receipts on the Taiwan Stock Exchange, equivalent to 180 million issued shares. In addition to introducing the Group's business to the local investment community, it is also a strategic move for the Group to enter into the highly developed healthcare sector in Taiwan. This will be instrumental to its strategic focus in exploring potential partnerships with industry leaders in Taiwan's healthcare sector while capitalising on emerging opportunities from the Economic Cooperation Framework Agreement ("ECFA"). Since then the Group has made significant inroads into the territory. The management is satisfied with its progress in Taiwan thus far and has already entered into a strategic partnership with Long Bon International Co., Limited, a leading conglomerate in Taiwan.

The Group also announced the acquisition of the entire stake in the Chinese herbal medicine business in February 2011. The management considers this a timely opportunity to acquire the remaining interests along with a sizable plot of land, an approved GMP production facility, spanning across 58,000 square meters in a popular location in Shanghai that belongs to this business. The Chinese herbal medicine business is principally engaged in the research and development, production and distribution of Chinese herbal medicines in China and overseas, as well as the operation of a Chinese herbal medicine retail chain in the United Kingdom and Ireland.

Subsequent to the reporting period, the Group acquired the Shanghai East International Medical Centre ("SEIMC") in June 2011, further expanding its hospital management business. With its established position in the premium expatriate market, SEIMC will be instrumental in stimulating segmental growth. Additionally, the Group has further expanded its hospital management business in Beijing, via the acquisition of a new hospital facility in June 2011. The construction of the new premises will be completed in 2012 and will significantly augment the current service capacity.

MEDICAL DEVICES SEGMENT

The Group's Medical Devices segment recorded excellent results during the review period. Revenue from the Medical Devices segment rose 5% to HK$244,751,000, mostly attributable to the significant increase in the clinical utilisation rate of the Group's medical devices. Medical accessories sales accounted for 39% of the revenue from the Medical Devices segment as opposed to 37% in the previous reporting period. The management expects further segmental growth upon the implementation of the "Regulation Governing Hospital Standard Accreditation and Administration"（醫院標準認証管理規範）by the Ministry of Health that will allow hospital operators to initiate strategies to remedy shortages in surgical blood. On the other hand, sales of medical devices remained stable at HK$148,581,000, equivalent to a 2% growth compared to the previous reporting period.

The Group owns a 23% interest of China National Medical Device Industry Corporation ("CMIC") and Union China National Medical Equipment Corporation ("UCMC"), affiliates of the Sinopharm Group, one of the leading medical device distributors in the PRC. CMIC, currently in the process of organisational restructuring, contributed a profit of HK$7.4 million to the Group, similar to the previous reporting period.

A breakdown of the Group's medical devices business, currently consisting of the manufacture and sale of medical devices and related accessories and contributions from associates which are engaged in the sale and distribution of medical equipment, is as follows:

HK$'000	**FY2010-11**	**FY2009-10**
Revenue		
Medical devices	148,581	146,249
Medical accessories	96,170	87,455
Selling and general administrative expenses	11,382	14,601
Profit before interest and taxation	133,718	133,493
Profit after taxation	111,012	115,445
Share of profits from associates - CMIC and UCMC	7,408	3,226
	118,420	118,671

In view of a positive outlook for the Group's medical devices business in the coming years, the Group raised HK$283.3 million (US$36.3 million) in August 2010 to facilitate the expansion of the production facilities for the Group's medical devices and medical accessories. The impending expansion will augment the Group's production capacity to cater for the growth in demand for the next three to five years. The Group has announced its strategic plan to seek separate listing of the medical devices business division by 2012.

The management is also delighted to report that the Group has entered into a definitive agreement with Fenwal Inc., a global leader in the blood-related technology market, in March 2011 to officially launch a joint venture for the China market. The Group will own 49% of the new company. The joint venture is expected to be formed later this year upon receiving customary commercial and regulatory approvals.

The new company will tentatively distribute two key products: the Group's 3000H plasma exchange system, which removes toxins from the blood and Fenwal Amicus® blood-cell separator, a system used to collect platelets and other blood components such as stem cells. The joint venture will also distribute related supplies and medical accessories to blood banks, cord blood banks and other medical institutions.

HEALTHCARE SERVICES SEGMENT

The Healthcare Services segment currently consists of the hospital management business and the newly incorporated GM-Medicare Management (China) Limited ("GM-Medicare"), a medical insurance claim processing and outsourcing business. The Group also has a 39.5% stake in China Cord Blood Corporation (or "CCBC" - NYSE:CO), an associate engaged in the cord blood storage business.

The hospital management business is developing in line with the management's expectation. Revenue from this business, from the management of two Daopei Hospitals, increased by 55% during the review period, reaching HK$80,412,000.

The Group's hospital management business is the first wholly-owned foreign enterprise designated as a nation-wide hospital management operator in the PRC. While taking advantage of the opportunities presented under the medical reform, the company currently manages two leading haematology hospitals, located in Beijing and Shanghai respectively under the Daopei Hospital brand name. The Daopei brand name is well respected in China and known for its specialty in haematology. To cater for impending growth, the Group has been actively pursuing the possibility of expanding its hospital management services in Beijing.

The Group is also pleased to announce the acquisition of a hospital facility in Beijing's Haidian District, which consists of a partially completed hospital facility with a site area of approximately 18,692 square meters and permissible construction area of 74,035 square meters. The new facility has obtained the relevant regulatory approvals for the construction of a 500-bed general hospital, five times the current capacity of the Daopei hospital in Beijing. Construction of the new hospital is well underway and is expected to be completed by 2012.

The management maintains the view that the hospital market in China is on the verge of major advancement. China's hospital market offers impressive growth prospects. General industry consensus expects China to take over the US as the largest healthcare market in the world by 2020. Such favourable macroeconomic outlook, coupled with China's medical reform and other demographic trends such as an ageing population and rising income levels, will enable the Group's hospital management business to enjoy tremendous structural and organic growth. The Group is confident in its ability to quickly secure a considerable position in this emerging market with its extensive industry experience and the strong brand recognition for the Daopei Hospitals managed by the Group.

Since the end of the reporting period, the Group acquired the Shanghai East International Medical Centre ("SEIMC") in June 2011. The SEIMC has established a strong brand name which caters for the premium expatriate market. The SEIMC will enhance the Group's ability to strengthen its market presence while further strengthening the Group's hospital management team.

As a key shareholder, the Group is pleased to learn that CCBC has been granted the third exclusive operating license to provide exclusive cord blood banking services in the Zhejiang Province this year. The new license has given the company over half of the cord blood banking market in China, both in terms of the addressable new births per year, and in terms of the number of licenses – the new exclusive operating license for Zhejiang would be the Group's third license out of the total seven licenses issued by the government thus far. CCBC also owns a minority stake in the cord blood bank operator in the Shandong Province. CCBC reported a 29.8% revenue growth during the fiscal year ended 31 March 2011 at US$51.9 million. CCBC contributed a profit of HK$41,720,000 to the Group during the review period. Total number of subscribers grew from 129,312 to 185,830, up 43.7% from the previous year. In view of its impressive performance, the Group has increased its shareholding in CCBC to 39.5% as of the date of this annual report.

A breakdown of the Group's Healthcare Services segment and contribution from an associate which is engaged in the provision of healthcare services is as follows:

HK$'000	**FY2010-11**	**FY2009-10**
Revenue		
Hospital Management Business	80,412	51,763
Selling and general administrative expenses	6,518	6,832
Profit before interest and taxation	23,599	17,718
Profit after taxation	12,242	11,806
Share of profits from associate - CCBC	41,720	27,826
	53,962	39,632

The Group has also made significant progress in its medical insurance administration business process outsourcing (BPO) joint venture, GM-Medicare during the financial year. This segment, consisting of providing administration outsourcing services for medical insurance companies and claims processing services for hospitals, is expected to commence operations by the end of 2011 while technical infrastructure is gradually coming into shape.

STRATEGIC INVESTMENTS

FunTalk China Holdings Limited ("FunTalk China"), announced its plans for privatisation in May 2011. With the help from a private equity group, the Group, together with other key existing shareholders, has submitted a privatisation proposal to FunTalk China in view of its underperforming share price. The management will continue to monitor the progress of the undertaking and will act in accordance with the best interests of its shareholders.

FunTalk China reported 2011 third quarter sales income of US$814 million (equivalent to HK$6,349 million) and net earnings of US$33 million (equivalent to HK$257 million), with a 44% and a 49% increase compared to the previous year respectively. FunTalk China contributed HK$73.8 million (2010: HK$76.0 million) to the Group's profit after taxation during the period under review.

The Group acquired the remaining stake in the Group's Chinese herbal medicine business for a total consideration of HK$83 million satisfied by the issuance of 60 million ordinary shares. Upon completion of the transaction, the Chinese herbal medicine business with a GMP-approved production facility over a site area of 58,000 square meters located in an ideal location in Shanghai, became wholly-owned by the Group.

GROUP STRATEGY AND OUTLOOK

With such positive factors in place, China's hospital market offers impressive growth prospects. There are currently around 14,000 hospitals in China, whereas the national medical expenditure has reached US$240 billion in 2009. Industry analysts expect China to take over the US as the largest healthcare market in the world by 2020. We believe that such positive macroeconomic outlook, coupled with China's medical reform and other demographic trends such as an ageing population, will allow our hospital management business to enjoy tremendous structural and organic growth.

The Group will continue to adhere to its strategic focus in its core business areas to expand its operations in hospital management and operation. For the Medical Devices segment, the focus will remain as to enhancing device penetration into tier-two hospitals and utilisation rate in China. Based on current market trends, the management is very positive on the outlook for both.

The Group expects satisfactory progress and contributions from the up-and-coming businesses, GM-Medicare and the pending joint venture with Fenwal Inc. The management foresees favourable prospects for both as they are expected to commence positive business contributions within the next two years, whereas the newly acquired hospital facilities will also generate significant growth upon their launch.

The management foresees copious growth opportunities for the Group's business segments across the board with considerable synergies between each segment, from medical devices, to hospital management and with its associate, China Cord Blood Corporation, in the cord blood banking business. This will facilitate the balanced growth for the Group's business portfolio as a truly integrated healthcare enterprise.

GROUP FINANCIAL REVIEW

Our core businesses reported steady revenue growth for the year ended 31 March 2011 at HK$325,163,000, representing an increase of approximately HK$39,696,000. The Medical Devices segment remained the largest source of revenue and contributed HK$244,751,000, a 5% increase year-on-year, equivalent to 75% of the Group's total turnover. Revenue from the Healthcare Services segment totalled HK$80,412,000, which accounted for 25% of the Group's total turnover, a significantly larger portion of the Group's operations, with a 55% growth compared to last year.

Gross Margin

While the Group reported stable turnover growth in all business areas, the Group's gross profit margin decreased slightly to 58%. The hospital management business posted a gross margin of 87%, down 2% points from the previous year.

Selling and Administrative Expenses

Selling and administrative expenses incurred for the fiscal year 2011 stood at HK$120,092,000, up slightly over the same period last year by 11%. Selling and administrative expenses have increased primarily due to the Group's enhanced marketing initiative in the medical devices segment, its hospital management business and GM-Medicare, the Group's medical insurance outsourcing service provider. The management has been rigorous in monitoring expenses while maintaining costs at a reasonable level.

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

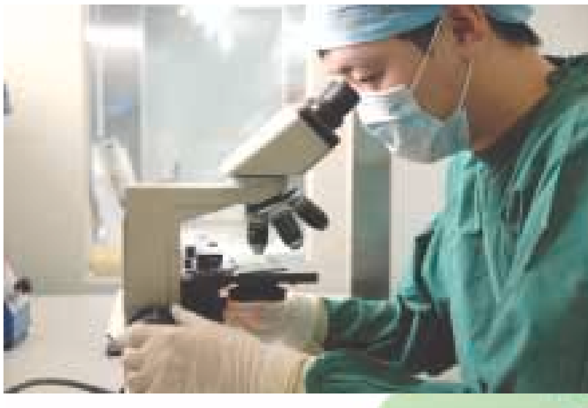
As a result of changes to the Company's share price, the fair values of the convertible notes and warrants issued by the Company decreased as compared to last year. Accordingly, a non-cash financial gain of HK$36,009,000 has been recognised in profit or loss during the year ended 31 March 2011.

Other Net Income

During the reporting period, the Group recorded other income of HK$112,026,000, mainly in the form of unrealised gains in listed securities from the Group's treasury management activities.

Operating Profit

The Group's operating profit amounted to HK$220,169,000, up 62% over the previous year and in line with management's expectations.



Finance Costs

Benefiting from lower interest rates, the Group's financial expenses stood at HK$6,338,000, 21% lower than the previous reporting period.

Income Tax

The Group's effective tax rate is 11% while total income tax expense was HK$42,335,000, a 77% increase from that of last year.

Profit Attributable to Equity Shareholders

During the reporting period, the Group maintained satisfactory growth across the board. The Group's profit attributable to equity shareholders of the Company totalled HK$343,208,000, representing a 195% increase over the previous corresponding period.

Current Assets and Total Assets

As of 31 March 2011, the Group's total current assets and total assets were HK$1,148,448,000 and HK$6,040,692,000 (2010: HK$1,044,652,000 and HK$4,727,932,000), respectively.

Liquidity and Financial Resources

As of 31 March 2011, the Group's cash and bank deposits amounted to HK$770,591,000 (2010: HK$826,157,000); total interest bearing debts stood at HK$666,833,000 (2010: HK$759,438,000) and share repurchase obligations amounted to HK$511,791,000 (2010: HK$Nil). The Group is in a satisfactory financial position with sufficient capital and financial resources to meet future business development needs.

The Issuance of Taiwan Depositary Receipts

In January 2011, the Group listed 90 million units of Taiwan Depositary Receipts on the Taiwan Stock Exchange, equivalent to 180 million issued shares of the Group, representing 9.8% of the total issued share capital of the Group on the day of listing.

Debt Ratio

On the basis of total interest bearing liabilities divided by total equity, the Group's debt ratio has declined to 15.7% as of 31 March 2011. From a long-term perspective, the management is committed to maintain an optimal equity debt ratio and a stable debt ratio, in order to achieve maximum capital efficiency.

Credit and Capital Policies

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

Employees

Excluding associates and jointly controlled entitles, the Group and its subsidiaries have employed 414 full-time staff in Hong Kong and in the Mainland. During the review period, total staff costs (including directors' remuneration and the Mandatory Provident Fund) amounted to HK$47,979,000.

Details of the Group's Pledged Assets

The Group has pledged assets with net book value of HK$108,145,000 as collateral for a bank loan as of 31 March 2011.

The Board of Directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 March 2011.

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

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

THE CG CODE

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

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

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

The Company has applied the principles as set out in the CG Code and complied with all the Code Provisions throughout the year ended 31 March 2011, except for Code Provision A.2.1 of the CG Code. It has also put in place certain Recommended Best Practices. The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the CG Code.

The Board

Responsibilities

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

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

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

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

Composition

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

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

Independent Non-Executive Directors

Throughout the year ended 31 March 2011, the Company met the requirement of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one in possession of appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the Independent Non-Executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Although Mr. GAO Zong Ze and Prof. GU Qiao have served for nine years by September 2010, the Directors are of the opinion that Mr. Gao and Prof. Gu continue to bring relevant experience and knowledge to the Board and that, notwithstanding their long service, they maintain an independent view of the Company's affairs. The Company considers that all Independent Non-Executive Directors are independent under the guidelines set out in rule 3.13 of the Listing Rules.

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

Appointment and Succession Planning of Directors

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

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, Mr. KAM Yuen, Mr. LU Tian Long and Mr. GAO Zong Ze shall retire by rotation at the annual general meeting of the Company to be held on 19 September 2011 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 2011.

Training for Directors

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

Chairman and Chief Executive Officer

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

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

Mr. KAM has been both the chairman and chief executive officer of the Company since the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("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 2011, thirteen 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)	13/13	N/A	N/A	3/3
Ms. JIN Lu	12/13	N/A	N/A	N/A
Mr. LU Tian Long	12/13	N/A	N/A	N/A
Ms. ZHENG Ting	13/13	N/A	N/A	3/3
Independent Non-Executive Directors:				
Prof. CAO Gang	12/13	2/2	2/2	N/A
Mr. GAO Zong Ze	12/13	2/2	2/2	N/A
Prof. GU Qiao	12/13	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 CG Code, and other statutory requirements. All members of the Board have full access to the Company Secretary.

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

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

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

Audit Committee

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

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

The Audit Committee's primary duties include the following:

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

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

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

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

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

The Audit Committee held two meetings during the year ended 31 March 2011. 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 2011 have been reviewed by the Audit Committee.

Executive Committee

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

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") in June 2005 with written terms of reference in compliance with paragraph B.1.3 of the principles and provisions of the CG Code as set out in Appendix 15 of the GEM Listing Rules. The Board has reviewed the terms of reference of the Remuneration Committee after the Transfer Date and confirmed that the terms of reference are in compliance with paragraph B.1.3 of the CG Code.

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

The principal responsibilities of the Remuneration Committee include the following:

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

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

Meetings of the Remuneration Committee are held at least once a year and additional meetings may be held as required. During the year, the Remuneration Committee 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 model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries by the Company indicate that all Directors have complied with the required standard of dealings for the year ended 31 March 2011.

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 2011, 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 2011 in the Independent Auditor's Report included in this annual report.

For the year ended 31 March 2011, the fees payable to the external auditors for audit services were HK$5,487,000 and fees payable for other services were HK$101,000.

Investor Relations

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

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

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

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

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. KAM Yuen (甘源), aged 49, 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 45, 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. She has extensive experience in marketing and business planning.

Mr. LU Tian Long (魯天龍), aged 59, 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 39, 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 received an EMBA degree and a graduate degree from the Chinese People's University, the PRC, (中國人民大學) in 2011 and 1996 respectively.

Independent Non-executive Directors

Prof. CAO Gang (曹岡), aged 67, 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 71, 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 64, 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.

SENIOR MANAGEMENT

Mr. KONG Kam Yu (江金裕), aged 42, 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.

Mr. LIANG Bing Yue (梁冰岳), aged 46, 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 45, 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 57, is the Vice President of the Group and Chief Representative of the Shanghai Representative Office and is responsible for the overall operation of the Group. He graduated from the Shanghai University of Chinese Medicines and has 15 years of investment and business development experiences in healthcare industry in addition to 20 years of clinical practices and teaching.

Mr. ZHANG Jing Feng (張錦鋒), aged 47, 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 relevant experiences working as a doctor in a Triple-A hospital and in business management. He used to serve as Director of Shanghai Center for Clinical Laboratory and Deputy General Manager of a domestically-listed high-tech firm.

Prof. LU Dao Pei (陸道培), aged 79, is the President of Shanghai Dao Pei Hospital. He is a haematologist and expert in bone marrow transplants and 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.

Ms. DUAN Xuan (段萱), aged 47, 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.

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 2011.

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.

TAIWAN DEPOSITARY RECEIPTS

The Company has obtained the approvals from the Taiwan Central Bank, the Taiwan Stock Exchange Corporation ("Taiwan Stock Exchange") and the Taiwan Securities and Futures Bureau in relation to the offering and listing of 90 million units of Taiwan depositary receipts ("TDRs"), representing 180 million shares of the Company, comprising 120 million new shares allotted and issued by the Company and 60 million shares transferred from the Company's then shareholders, on the Taiwan Stock Exchange. The TDRs were listed on the Taiwan Stock Exchange on 24 January 2011 and trading of the TDRs commenced on the Taiwan Stock Exchange on the same day.

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	47%	
Five largest customers in aggregate	93%	
The largest supplier		31%
Five largest suppliers in aggregate		99%

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 2011 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 168 of this annual report.

RESERVES AND DIVIDENDS

Profits attributable to equity shareholders of the Company of HK$343,208,000 (2010: HK$116,412,000) have been transferred to reserves. Other movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 53 to 54 of this annual report.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2011 (2010: HK$Nil).

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$31,000 (2010: HK$1,000,000).

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 2011, 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, Mr. KAM Yuen, Mr. LU Tian Long and Mr. GAO Zong Ze 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 30 to 32 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 2011, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they 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	389,120,000 (1)	—	389,120,000	20.60%
	Beneficial owner	—	67,006,245(2)	67,006,245	3.55%
Ms. JIN Lu	Beneficial owner	—	3,800,000(2)	3,800,000	0.20%
Mr. LU Tian Long	Beneficial owner	—	6,000,000(2)	6,000,000	0.32%
Ms. ZHENG Ting	Beneficial owner	—	7,600,000(2)	7,600,000	0.40%

Notes:

(1) Mr. KAM Yuen was deemed under the SFO to have an interest in 389,120,000 shares beneficially owned by Bio Garden Inc. ("Bio Garden"), a company incorporated in the British Virgin Islands ("BVI"), as at 31 March 2011 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 2011

	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	0.47%
Ms. ZHENG Ting	Beneficial owner	1,071,994	1,071,994	1.42%

Save as disclosed above, as at 31 March 2011, none of the Directors or the chief executives of the Company or their respective associates had any interests or short positions in the shares or, in respect of equity derivatives, underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

Share option schemes of the Company

The principal terms of the share option schemes of the Company are summarised in note 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 2010	Numbers of underlying shares in respect of which share options exercised during the year ended 31 March 2011	Number of underlying shares in respect of which share options were outstanding as at 31 March 2011	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	17,667,000(4)	26,533,000	1.15	1.14
		140,476,245	17,667,000	122,809,245		

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

SHARE OPTION SCHEMES *(Continued)*

Share option schemes of the Company *(Continued)*

Notes:

(1) The share options are exercisable as to:

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

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

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

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

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

(3) The share options are exercisable as to:

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

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

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

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

(4) The weighted average closing price of the shares immediately before the dates on which the share options were exercised is HK$1.92.

(5) Save as disclosed above, no other share options granted under the share option schemes of the Company were exercised, cancelled or lapsed during the year ended 31 March 2011.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 March 2011 the interests and short positions of the shareholders (not being Directors or the chief executives of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

(a) Long positions of substantial shareholders

Name	Capacity and nature of interest	No. of issued shares/ underlying shares	Approximate percentage of the Company's issued share capital
Bio Garden[(1)]	Beneficial owner	389,120,000[(4)]	20.60%
Credit Suisse Trust Limited[(2)]	Trustee	389,120,000[(4)]	20.60%
KF Suisse SA[(3)]	Trustee	389,120,000[(4)]	20.60%
Mr. David Henry Christopher Hill[(3)]	Interest of controlled corporation	389,120,000[(4)]	20.60%
Mrs. Rebecca Ann Hill[(3)]	Interest of children under 18 or spouse	389,120,000[(4)]	20.60%
Mr. Kent C. McCarthy[(5)]	Investment manager	421,616,702	22.32%

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

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

Name of other persons who have more than 5% 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.(5)	Investment manager	180,619,098	9.56%
Jayhawk Private Equity Fund, L.P.(5)	Investment manager	112,491,789	5.96%
Martin Currie (Holdings) Limited	Interest of controlled corporation	136,040,000	7.20%

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 389,120,000 shares as at 31 March 2011. 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 389,120,000 shares held by Bio Garden.

(3) The corporate substantial shareholder notice filed by KF Suisse SA indicated that it had a 64% interest in Bio Garden which beneficially owned 389,120,000 shares as at 31 March 2011. KF Suisse SA is a trustee of certain discretionary trusts as referred to in (1) above. Accordingly, KF Suisse SA was deemed, under the SFO, to have an interest in the 389,120,000 shares held by Bio Garden. KF Suisse SA was wholly owned by Mr. David Henry Christopher Hill. Mr. David Henry Christopher Hill and Mrs. Rebecca Ann Hill (being the spouse of Mr. David Henry Christopher Hill) were deemed, under the SFO, to have an interest in the 389,120,000 shares held by KF Suisse SA.

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

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

Save as disclosed above, as at 31 March 2011, the Directors are not aware of any other person or corporation having an interest or short position in the shares or underlying shares of the Company representing 5% or more of the issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules since 1 April 2010 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 2011 are set out in notes 31, 32, 34 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 169 and 170 of this annual report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 29 of this annual report.

COMPETITION AND CONFLICT OF INTERESTS

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

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 September 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	**Details of changes**
Mr. KAM Yuen	Annual salary was increased to HK$1,950,000 with effect from 1 April 2011.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, namely Prof. CAO Gang, Mr. GAO Zong Ze and Prof. GU Qiao, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Although Mr. GAO Zong Ze and Prof. GU Qiao have served for nine years by September 2010, the Directors are of the opinion that Mr. Gao and Prof. Gu continue to bring relevant experience and knowledge to the Board and that, notwithstanding their long service, they maintain an independent view of the Company's affairs. The Company considers that all Independent Non-Executive Directors are independent under the guidelines set out in rule 3.13 of the Listing Rules.

AUDITORS

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

By order of the Board

KAM Yuen
Chairman
Hong Kong, 30 June 2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GOLDEN MEDITECH HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golden Meditech Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 168, which comprise the consolidated and company statements of financial position as at 31 March 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 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
30 June 2011

Consolidated Income Statement

for the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Continuing operations			
Turnover	4	**328,066**	285,467
Cost of sales		**(139,332)**	(112,823)
Gross profit		**188,734**	172,644
Other revenue	5	**39,501**	37,697
Other net income	6	**112,026**	33,746
Selling expenses		**(6,428)**	(4,962)
Administrative expenses		**(113,664)**	(103,137)
Profit from operations		**220,169**	135,988
Finance costs	7(a)	**(6,338)**	(7,999)
Changes in fair value of financial liabilities at fair value through profit or loss	34	**36,009**	(102,357)
Share of profits less losses of associates	20	**93,458**	9,150
Share of profits of jointly controlled entities	21	**14,230**	76,031
Gain on deemed disposal of partial interests in associates	20	**46,669**	47,542
Loss on disposal of interests in associates	37(a)(i)	**(2,628)**	—
Profit before taxation	7	**401,569**	158,355
Income tax	8(a)	**(42,335)**	(23,960)
Profit for the year from continuing operations		**359,234**	134,395
Discontinued operation			
Loss for the year from discontinued operation	11	**—**	(10,405)
Profit for the year		**359,234**	123,990

	Note	**2011** **$'000**	2010 $'000
Attributable to:			
Equity shareholders of the Company	12		
– From continuing operations		**343,208**	138,237
– From discontinued operation		**—**	(21,825)
		343,208	116,412
Non-controlling interests			
– From continuing operations		**16,026**	(3,842)
– From discontinued operation		**—**	11,420
		16,026	7,578
Profit for the year		**359,234**	123,990
Earnings/(loss) per share	14		
Basic (in cents)			
– From continuing and discontinued operations		**19.9**	7.2
– From continuing operations		**19.9**	8.6
– From discontinued operation		**—**	(1.4)
Diluted (in cents)			
– From continuing and discontinued operations		**15.4**	6.8
– From continuing operations		**15.4**	8.2
– From discontinued operation		**—**	(1.4)

The notes on pages 57 to 168 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Profit for the year		**359,234**	123,990
Other comprehensive income for the year (after tax and reclassification adjustments)			
Exchange reserve: net movement during the year, net of nil tax	13	**82,894**	6,838
Fair value reserve: net movement during the year, net of nil tax	13	**(1,481)**	7,286
Share of other comprehensive income of jointly controlled entities, net of nil tax		**6,098**	4,280
Share of other comprehensive income of associates, net of nil tax		**41,179**	4,824
Total comprehensive income for the year		**487,924**	147,218
Attributable to:			
Equity shareholders of the Company		**455,085**	134,914
Non-controlling interests		**32,839**	12,304
Total comprehensive income for the year		**487,924**	147,218

The notes on pages 57 to 168 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011		2010	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	16(a)				
– Property, plant and equipment			**304,165**		171,435
– Interests in leasehold land held for own use under operating leases			**704,876**		4,200
			1,009,041		175,635
Intangible assets	17		**829,534**		821,096
Goodwill	18		**447,026**		427,625
Interests in associates	20(a)		**1,426,441**		1,026,286
Interests in jointly controlled entities	21		**61,096**		722,418
Available-for-sale equity securities	22		**146,409**		110,633
Prepayments and deposits	23		**963,768**		396,180
Deferred tax assets	33(b)		**8,929**		3,407
			4,892,244		3,683,280
Current assets					
Other investments	24	**170,143**		77,951	
Inventories	25(a)	**17,565**		13,895	
Trade receivables	26	**164,514**		102,175	
Other receivables, deposits and prepayments	27	**25,635**		24,474	
Cash and bank balances	28	**770,591**		826,157	
		1,148,448		1,044,652	
Current liabilities					
Trade payables	29	**118,584**		93,682	
Other payables and accruals	30	**48,855**		34,408	
Bank loans and overdrafts	31	**118,863**		113,572	
Obligations under finance leases	32	**1,809**		926	
Current taxation	33(a)	**34,420**		12,366	
		322,531		254,954	

Consolidated Statement of Financial Position

at 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011		2010	
		$'000	$'000	$'000	$'000
Net current assets			**825,917**		789,698
Total assets less current liabilities			**5,718,161**		4,472,978
Non-current liabilities					
Bank loans	31	**233,428**		232,960	
Obligations under finance leases	32	**4,232**		1,659	
Financial liabilities at fair value through profit or loss	34	**322,578**		457,573	
Share repurchase obligations	35	**511,791**		—	
Deferred tax liabilities	33(b)	**389,380**		205,274	
Other non-current liabilities		**398**		460	
			1,461,807		897,926
NET ASSETS			**4,256,354**		3,575,052
CAPITAL AND RESERVES					
Share capital	36(b)		**188,903**		162,765
Reserves	36(c)		**3,624,555**		3,145,495
Total equity attributable to equity shareholders of the Company			**3,813,458**		3,308,260
Non-controlling interests			**442,896**		266,792
TOTAL EQUITY			**4,256,354**		3,575,052

Approved and authorised for issue by the board of directors on 30 June 2011.

KAM Yuen
Director

LU Tian Long
Director

The notes on pages 57 to 168 form part of these financial statements.

Statement of Financial Position

at 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011		2010	
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	16(b)		**2,857**		4,072
Interests in subsidiaries	19(a)		**2,474,230**		1,965,108
Amounts due from associates	20		**—**		14,941
Prepayments and deposits	23		**300,790**		72,323
			2,777,877		2,056,444
Current assets					
Other investments	24	**3**		151	
Other receivables, deposits and prepayments	27	**2,861**		3,470	
Cash and bank balances	28	**120,684**		50,603	
		123,548		54,224	
Current liabilities					
Other payables and accruals	30	**6,697**		7,652	
Obligations under a finance lease	32	**977**		926	
		7,674		8,578	
Net current assets			**115,874**		45,646
Total assets less current liabilities			**2,893,751**		2,102,090

Statement of Financial Position

at 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011		2010	
		$'000	$'000	$'000	$'000
Non-current liabilities					
Amounts due to subsidiaries	19(b)	—		164,175	
Bank loans	31	233,428		232,960	
Obligations under a finance lease	32	682		1,659	
Financial liabilities at fair value through profit or loss	34	234,976		224,748	
			469,086		623,542
NET ASSETS			2,424,665		1,478,548
CAPITAL AND RESERVES					
Share capital	36(b)		188,903		162,765
Reserves	36(c)		2,235,762		1,315,783
TOTAL EQUITY			2,424,665		1,478,548

Approved and authorised for issue by the board of directors on 30 June 2011.

KAM Yuen
Director

LU Tian Long
Director

The notes on pages 57 to 168 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Surplus reserve $'000	Fair value reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity shareholders of the Company												
Balance at 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 the year ended 31 March 2010:														
Profit for the year		—	—	—	—	—	—	—	—	—	116,412	116,412	7,578	123,990
Other comprehensive income		—	—	—	—	—	3,590	—	14,912	—	—	18,502	4,726	23,228
Total comprehensive income for the year		—	—	—	—	—	3,590	—	14,912	—	116,412	134,914	12,304	147,218
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)(ii)	—	—	—	—	—	—	—	—	—	—	—	269,595	269,595
Disposal of subsidiaries		—	—	—	(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)
Balance at 31 March and 1 April 2010		162,765	1,085,774	5,868	37,150	54,193	222,722	90,254	13,535	(71,661)	1,707,660	3,308,260	266,792	3,575,052

Consolidated Statement of Changes in Equity

for the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company												
		Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Surplus reserve $'000	Fair value reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Changes in equity for the year ended 31 March 2011:														
Profit for the year		–	–	–	–	–	–	–	–	–	343,208	343,208	16,026	359,234
Other comprehensive income		–	–	–	–	–	116,899	–	(5,022)	–	–	111,877	16,813	128,690
Total comprehensive income for the year		–	–	–	–	–	116,899	–	(5,022)	–	343,208	455,085	32,839	487,924
Equity settled share-based payment expenses		–	–	–	820	–	–	–	–	–	–	820	–	820
Issue of shares upon listing of Taiwan Depository Receipts	36(b)(i)	12,000	163,110	–	–	–	–	–	–	–	–	175,110	–	175,110
Issue of shares for acquisition of subsidiaries	36(b)(ii)	6,000	76,800	–	–	–	–	–	–	–	–	82,800	–	82,800
Issue of shares upon exercise of share options	36(b)(iii)	1,767	26,347	–	(7,798)	–	–	–	–	–	–	20,316	–	20,316
Issue of shares upon conversion of convertible notes	36(b)(iv)	6,371	89,839	–	–	–	–	–	–	–	–	96,210	–	96,210
Disposal of partial interests in a subsidiary	37(c)	–	–	–	–	–	–	–	–	(314,696)	–	(314,696)	109,835	(204,861)
Contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	33,430	33,430
Change in carrying amount of share repurchase obligations	35	–	–	–	–	–	–	–	–	(23,583)	–	(23,583)	–	(23,583)
Transfer to surplus reserve		–	–	–	–	–	–	3,393	–	–	(3,393)	–	–	–
Share of other reserve of jointly controlled entities		–	–	–	–	–	–	–	–	16,118	–	16,118	–	16,118
Share of other reserve of associates		–	–	–	–	–	–	–	–	5,161	(8,143)	(2,982)	–	(2,982)
Balance at 31 March 2011		188,903	1,441,870	5,868	30,172	54,193	339,621	93,647	8,513	(388,661)	2,039,332	3,813,458	442,896	4,256,354

The notes on pages 57 to 168 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Operating activities			
Cash generated from operations	28(b)	**119,771**	307,709
Tax paid:			
– The People's Republic of China ("PRC") Income Tax paid		**(20,275)**	(19,956)
Net cash generated from operating activities		**99,496**	287,753
Investing activities			
Payment for construction in progress		**(20,231)**	(5,453)
Proceeds from disposal of property, plant and equipment		**—**	83
Payment for acquisition of property, plant and equipment		**(10,945)**	(36,139)
Cash advances to associates		**(23,952)**	(25,506)
Payment for financial assets at fair value through profit or loss		**(100)**	(2,531)
Proceeds from disposal of financial assets at fair value through profit or loss		**117**	3,508
Payment for available-for-sale equity securities		**(39,348)**	—
Earnest money for acquisition of subsidiaries		**(547,102)**	(366,335)
Net cash inflow/(outflow) from acquisition of subsidiaries	37(a)	**3,087**	(28,656)
Net cash outflow from disposal of subsidiaries	37(b)	**—**	(256,555)
Payment for capital contribution in an associate		**(29,806)**	—
Interest received		**4,306**	2,639
Dividend received from an associate		**2,757**	1,247
Dividends received from investments in securities		**1,372**	2
Net cash used in investing activities		**(659,845)**	(713,696)

Consolidated Cash Flow Statement

for the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Financing activities			
Capital element of finance lease rentals paid		**(926)**	(877)
Net proceeds from issue of ordinary shares upon listing of Taiwan Depositary Receipts	36(b)(i)	**175,110**	—
Proceeds from issue of ordinary shares upon exercise of share options	36(b)(iii)	**20,316**	—
Proceeds from new bank loans		**115,963**	50,951
Repayment of bank loan		**(114,956)**	—
Net proceeds from issue of convertible notes		**7,565**	400,692
Net cash inflow from disposal of partial interests in a subsidiary		**283,347**	—
Interest element of finance lease rentals paid		**(118)**	(166)
Interest paid on loans and other borrowings		**(19,328)**	(12,465)
Net cash generated from financing activities		**466,973**	438,135
Net (decrease)/increase in cash and cash equivalents		**(93,376)**	12,192
Cash and cash equivalents at beginning of the year		**826,157**	811,318
Effect of foreign exchange rates changes		**37,669**	2,647
Cash and cash equivalents at end of the year	28(a)	**770,450**	826,157

The notes on pages 57 to 168 form part of these financial statements.

1 BACKGROUND

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2011 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 a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 45.

(c) Subsidiaries and non-controlling interests

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment losses relating to the investment (see notes 2(e) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee 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 investee's 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 interests 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Goodwill

Goodwill represents the excess of

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

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

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

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

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.

(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 the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(u)(v) and (vi).

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

(g) Derivative financial instruments

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

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property, plant and equipment (continued)

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

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

No depreciation is provided for construction in progress.

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

(i) Intangible assets (other than goodwill)

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

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

— 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

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

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

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

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

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

Impairment losses 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets (continued)

(ii) Impairment of other assets

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

— property, plant and equipment;

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

— intangible assets; and

— goodwill.

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

— Calculation of recoverable amount

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

— 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(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.

(l) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion, 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Convertible notes and warrants

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

(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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

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 end of the reporting period, 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

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

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

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

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

  — the same taxable entity; or

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

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Other provisions and contingent liabilities

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

(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 statement of financial position 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue recognition (continued)

(iv) Government grants

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

(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.

(v) Translation of foreign currencies

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Borrowing costs

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

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

(x) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 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.

(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 two revised HKFRSs, a number of amendments to HKFRSs and two 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 3 (revised 2008), *Business combinations*

— Amendments to HKAS 27, *Consolidated and separate financial statements*

— Improvements to HKFRSs (2009)

— HK (Int) 5, *Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause*

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

The issuance of HK (Int) 5 has had no material impact on the Group's financial statements as the Interpretation's conclusions were consistent with policies already adopted by the Group.

The amendment introduced by the Improvements to HKFRSs (2009) omnibus standard in respect of HKAS 17, *Leases*, has had no material impact on the Group's financial statements as the Group has concluded that the classification of the interest in leasehold land remains appropriate and the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining lease term.

The adoption of the amendments to HKFRS 3 and HKAS 27 has resulted in changes in accounting policies as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), business combination transactions on or after 1 April 2010 will be recognised in accordance with the new requirements and guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  — Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

- Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies have been applied prospectively to the business combination transaction entered into by the Group during the year ended 31 March 2011 (see note 37(a)(i)) and will be applied for such transactions in future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other deductible temporary differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations acquisition dates preceded of which the application of this revised standard.

- In order to be consistent with the amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associate* and HKAS 31, *Interests in joint ventures*, the following policies have been applied as from 1 April 2010:

  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods transactions 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, the provision of hospital management services and the research and development and the manufacture and sale of natural herbal medicines. 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 ended 31 March 2010 (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 $4,232,000 (2010: $2,724,000) and Cord Blood Bank service income, less business tax of $Nil (2010: $3,757,000).

Turnover recognised during the year is analysed as follows:

	2011	2010
	$'000	$'000
Continuing operations		
Sales of medical devices	**148,581**	146,249
Sales of medical accessories	**96,170**	87,455
Hospital management service income	**80,412**	51,763
Sales of natural herbal medicines	**2,903**	—
	328,066	285,467
Discontinued operation (note 11)		
Cord Blood Bank service income	**—**	64,274
	328,066	349,741

The Group's customer base includes three customers with whom transactions have exceeded 10% of the Group's revenues. During the year ended 31 March 2011, 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 $224,079,000 (2010: $217,485,000). 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

	2011 **$'000**	2010 $'000
Continuing operations		
Interest income on financial assets not at fair value through profit or loss	**23,935**	23,908
VAT refunds	**12,347**	12,128
Dividend income from listed securities	**1,372**	2
Sundry income	**1,847**	1,659
	39,501	37,697
Discontinued operation (note 11)		
Interest income on financial assets not at fair value through profit or loss	**—**	1,168
	39,501	38,865

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% (2010: 14%) of sales of software products embedded in the medical devices.

6 OTHER NET INCOME

	2011 $'000	2010 $'000
Continuing operations		
Net realised and unrealised gain on financial assets at fair value through profit or loss	**96,787**	28,425
Net exchange gain	**18,433**	8,820
Impairment loss on available-for-sale equity securities carried at cost less impairment	**(3,411)**	(3,000)
Others	**217**	(499)
	112,026	33,746
Discontinued operation (note 11)		
Net exchange gain	**—**	128
Net loss on disposal of property, plant and equipment	**—**	(131)
Others	**—**	463
	—	460
	112,026	34,206

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2011 $'000	2010 $'000
(a) Finance costs		
Continuing operations		
Interest on bank loans wholly repayable within five years	**6,220**	7,833
Finance charges on obligations under finance leases	**118**	166
	6,338	7,999
Discontinued operation (note 11)		
Interest on bank loans wholly repayable within five years	**—**	521
	6,338	8,520
(b) Staff costs		
Continuing operations		
Salaries, wages and other benefits	**45,674**	20,176
Contributions to defined contribution retirement plans	**1,485**	1,389
Equity settled share-based payment expenses	**820**	26,985
	47,979	48,550
Discontinued operation		
Salaries, wages and other benefits	**—**	7,852
Contributions to defined contribution retirement plans	**—**	1,078
	—	8,930
	47,979	57,480

7 PROFIT BEFORE TAXATION *(continued)*

(c) Other items

	2011 $'000	2010 $'000
Continuing operations		
Cost of inventories #	**101,389**	85,610
Impairment loss on trade receivables	**738**	—
Depreciation of property, plant and equipment #	**26,301**	19,909
Amortisation of land lease premium #	**2,088**	103
Amortisation of intangible assets	**28,083**	21,570
Research and development costs	**5,632**	9,836
Auditor's remuneration		
– audit services	**5,487**	4,045
– other services	**101**	201
Operating lease charges: minimum lease payments #		
– hire of properties	**17,068**	13,109
– hire of other assets	**368**	275
Discontinued operation		
Cost of inventories #	**—**	8,432
Impairment loss on trade receivables		
– current	**—**	1,150
– non-current	**—**	40
Depreciation of property, plant and equipment #	**—**	5,060
Amortisation of intangible assets	**—**	819
Operating lease charges: minimum lease payments #		
– hire of properties	**—**	1,807

Cost of inventories includes $15,393,000 (2010: $11,118,000) 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:

	2011 $'000	2010 $'000
Current tax - Outside Hong Kong		
PRC income tax for the year	**40,890**	28,428
Deferred tax		
Origination and reversal of temporary differences	**1,445**	(4,468)
	42,335	23,960

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

	2011 $'000	2010 $'000
Profit before taxation	**401,569**	158,355
Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**93,033**	37,993
Tax effect of non-deductible expenses	**15,639**	32,078
Tax effect of non-taxable revenue	**(61,488)**	(35,153)
Reduced tax rate approved by tax authorities	**(10,248)**	(11,436)
Unused tax losses not recognised	**5,399**	478
Actual tax expense	**42,335**	23,960

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

(b) Discontinued operation (note 11)

(i) Taxation in the consolidated income statement represents:

	2011 **$'000**	2010 $'000
Current tax - Outside Hong Kong		
PRC income tax for the year	—	7,419
Deferred tax		
Origination and reversal of temporary differences	—	(2,055)
	—	5,364

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

	2011 **$'000**	2010 $'000
Profit before taxation	—	26,853
Notional taxation on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	—	6,836
Tax effect of non-deductible expenses	—	371
Tax effect of non-taxable revenue	—	(634)
Reduced tax rate approved by tax authorities	—	(1,209)
Actual tax expense	—	5,364

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, Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing"), a subsidiary of the Group, was designated as high and new technology enterprise, which qualified for a reduced income tax rate of 15%, and such status was valid for the three years ended 31 December 2010. As a result of the above, current taxation for Jingjing had been accrued based on a tax rate of 15% for the three calendar years ended 31 December 2008, 2009 and 2010. Upon the expiry of the designation as high and new technology enterprise on 31 December 2010, Jingjing was no longer entitled to the reduced income tax rate. As such, current taxation for Jingjing for the three months ended 31 March 2011 has been accrued based on a tax rate of 24%, which is the applicable transitional tax rate for enterprises previously designated as high and new technology enterprises. From 1 January 2012 onwards, the applicable income tax rate for Jingjing will be 25%.

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 2011 and 2010 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 2011

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

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 2010

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Share-based payments $'000	Retirement scheme contributions $'000	Total $'000
Executive directors						
Mr. KAM Yuen	—	1,654	—	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

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.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2010: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2010: three) individuals are as follows:

	2011	2010
	$'000	$'000
Salaries, allowances and other benefits	**5,300**	2,749
Discretionary bonuses	**3,000**	—
Share-based payments	**124**	7,239
Retirement benefits	**12**	15
	8,436	10,003

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emoluments bands		
$1,500,001 to $2,000,000	**1**	—
$2,000,001 to $2,500,000	**1**	—
$2,500,001 to $3,000,000	**—**	1
$3,000,001 to $3,500,000	**—**	1
$3,500,001 to $4,000,000	**—**	1
$4,000,001 to $4,500,000	**1**	—
	3	3

11 DISCONTINUED OPERATION

On 3 November 2008, the Company together with a then subsidiary, China Cord Blood Services Corporation ("CCBS") and CCBS's non-controlling 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 non-controlling 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 controlled 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 had 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 were as follows:

	$'000
Turnover (note 4)	64,274
Cost of sales	(18,944)
Gross profit	45,330
Other revenue (note 5)	1,168
Other net income (note 6)	460
Selling expenses	(7,975)
Administrative expenses	(11,609)
Profit from operations	27,374
Finance costs (note 7(a))	(521)
Profit before taxation	26,853
Income tax (note 8(b))	(5,364)
Profit for the year	21,489
Loss on disposal of discontinued operation, net of tax of $Nil	(31,894)
Loss for the year from discontinued operation	(10,405)

11 DISCONTINUED OPERATION *(continued)*

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

	$'000
Net cash outflow from operating activities	(3,888)
Net cash outflow from investing activities	(8,532)
Net cash inflow from financing activities	88,520
Net cash inflow of the discontinued operation	76,100

12 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $570,861,000 (2010: $105,966,000) 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:

	2011	2010
	$'000	$'000
Exchange reserve:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**102,693**	7,528
Reclassification adjustments for amounts transferred to profit or loss:		
– disposal of subsidiaries	**—**	(690)
– disposal of associates upon acquisition of a controlling interests in the associates	**(11,315)**	—
– deemed disposal of partial interests in associates	**(8,484)**	—
Net movement in the exchange reserve during the year recognised in other comprehensive income	**82,894**	6,838

13 OTHER COMPREHENSIVE INCOME *(continued)*

Reclassification adjustments relating to components of other comprehensive income: *(continued)*

	2011 **$'000**	2010 $'000
Fair value reserve:		
Changes in fair value recognised during the year	**(135)**	7,447
Reclassification adjustments for amounts transferred to profit or loss:		
– disposal of subsidiaries	**—**	(161)
– deemed disposal of partial interests in associates	**(1,346)**	—
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(1,481)**	7,286

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 $343,208,000 (2010: $116,412,000) divided by the weighted average number of 1,721,989,000 (2010: 1,599,857,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 **Shares** **'000**	2010 Shares '000
Issued ordinary shares at the beginning of the year	**1,627,651**	1,593,922
Effect of issue of shares upon listing of TDRs (note 36(b)(i))	**23,014**	—
Effect of issue of shares for acquisition of subsidiaries (note 36(b)(ii))	**3,451**	—
Effect of exercise of share options (note 36(b)(iii))	**13,932**	—
Effect of conversion of convertible notes (note 36(b)(iv))	**53,941**	5,935
Weighted average number of ordinary shares	**1,721,989**	1,599,857

14 EARNINGS/(LOSS) PER SHARE *(continued)*

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

	2011 **$'000**	2010 $'000
From continuing and discontinued operations		
Profit attributable to equity shareholders	**343,208**	116,412
From continuing operations		
Profit attributable to equity shareholders	**343,208**	138,237
From discontinued operation		
Loss attributable to equity shareholders	**—**	(21,825)
From continuing and discontinued operations		
Basic earnings per share (HK cents)	**19.9**	7.2
From continuing operations		
Basic earnings per share (HK cents)	**19.9**	8.6
From discontinued operation		
Basic loss per share (HK cents)	**—**	(1.4)

14 EARNINGS/(LOSS) PER SHARE *(continued)*

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of $278,460,000 (2010: $109,858,000) and the weighted average number of 1,812,590,000 (2010: 1,615,512,000) 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)

	2011 **$'000**	2010 $'000
From continuing and discontinued operations		
Profit attributable to equity shareholders	**343,208**	116,412
Dilutive impact on profit from exercise of conversion options from the holders of convertible notes and warrants issued by the Company	**(63,572)**	—
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)
Dilutive impact on profit of dilutive potential shares of associates	**(1,176)**	(1,383)
Dilutive impact on profit of dilutive potential shares of jointly controlled entities	**—**	(4,703)
Profit attributable to equity shareholders (diluted)	**278,460**	109,858
Attributable to:		
Continuing operations	**278,460**	132,151
Discontinued operation	**—**	(22,293)
	278,460	109,858

14 EARNINGS/(LOSS) PER SHARE *(continued)*

(b) Diluted earnings/(loss) per share (continued)

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

	2011 Shares '000	2010 Shares '000
Weighted average number of ordinary shares	**1,721,989**	1,599,857
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 38(a))	**11,501**	12,317
Effect of option held by convertible note holders which requires the Company to issue additional convertible notes (note 34(a))	**220**	3,338
Effect of conversion of convertible notes and exercise of warrants	**78,880**	—
Weighted average number of ordinary shares (diluted) at 31 March	**1,812,590**	1,615,512
From continuing and discontinued operations		
Diluted earnings per share (HK cents)	**15.4**	6.8
From continuing operations		
Diluted earnings per share (HK cents)	**15.4**	8.2
From discontinued operation		
Diluted loss per share (HK cents)	**—**	(1.4)

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 four reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

(iv) Natural Herbal Medicine segment: the research and development and the manufacture and sale of natural herbal medicines.

(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 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 2011 and 2010 is set out below:

	Continuing operations						Discontinued operation			
	Medical Device		Hospital Management		Natural Herbal Medicine		Cord Blood Bank		Total	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Revenue from external customers	**244,751**	233,704	**80,412**	51,763	**2,903**	—	**—**	64,274	**328,066**	349,741
Segment profit/(loss)	**133,718**	133,493	**23,599**	17,718	**(1,753)**	—	**—**	27,374	**155,564**	178,585
Depreciation and amortisation for the year	**13,468**	12,665	**32,756**	24,081	**2,616**	—	**—**	5,879	**48,840**	42,625
Impairment loss on trade and other receivables	**738**	—	**—**	—	**—**	—	**—**	1,190	**738**	1,190
Segment assets	**868,377**	976,652	**1,374,347**	1,311,282	**765,595**	—	**—**	—	**3,008,319**	2,287,934
Additions to non-current segment assets during the year	**980**	618	**3,959**	1,286,321	**734,631**	—	**—**	19,839	**739,570**	1,306,778
Segment liabilities	**250,235**	218,601	**291,064**	260,265	**16,478**	—	**—**	—	**557,777**	478,866

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 2011 and 2010.

Profit

	Continuing operations		Discontinued operation		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Reportable segment profit	**155,564**	151,211	**—**	27,374	**155,564**	178,585
Finance costs	**(6,338)**	(7,999)	**—**	(521)	**(6,338)**	(8,520)
Changes in fair value of financial liabilities at fair value through profit or loss	**36,009**	(102,357)	**—**	—	**36,009**	(102,357)
Share of profits less losses of associates	**93,458**	9,150	**—**	—	**93,458**	9,150
Share of profits of jointly controlled entities	**14,230**	76,031	**—**	—	**14,230**	76,031
Gain on deemed disposal of partial interests in associates	**46,669**	47,542	**—**	—	**46,669**	47,542
Loss on disposal of interests in associates	**(2,628)**	—	**—**	—	**(2,628)**	—
Net realised and unrealised gain on financial assets at fair value through profit or loss	**96,787**	28,425	**—**	—	**96,787**	28,425
Net loss from all other segments	**(14,730)**	—	**—**	—	**(14,730)**	—
Unallocated head office and corporate expenses	**(17,452)**	(43,648)	**—**	—	**(17,452)**	(43,648)
Consolidated profit before taxation	**401,569**	158,355	**—**	26,853	**401,569**	185,208

15 SEGMENT REPORTING *(continued)*

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

	2011 **$'000**	2010 $'000
Assets		
Reportable segment assets	**3,008,319**	2,287,934
Interests in associates	**1,426,441**	1,026,286
Interests in jointly controlled entities	**61,096**	722,418
Non-current prepayments and deposits	**963,768**	396,180
Available-for-sale equity securities	**146,409**	110,633
Other investments	**170,143**	77,951
Deferred tax assets	**8,929**	3,407
All other segments assets	**76,215**	—
Unallocated head office and corporate assets	**179,372**	103,123
Consolidated total assets	**6,040,692**	4,727,932
Liabilities		
Reportable segment liabilities	**557,777**	478,866
Deferred tax liabilities	**389,380**	205,274
All other segments liabilities	**3,299**	—
Unallocated head office and corporate liabilities	**833,882**	468,740
Consolidated total liabilities	**1,784,338**	1,152,880

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 2010	157,433	17,108	64,481	13,471	9,095	5,040	266,628	4,973	271,601
Exchange adjustments	7,235	651	2,984	354	366	271	11,861	235	12,096
Additions	—	—	38,105	5,285	5,349	20,231	68,970	—	68,970
Acquisition of subsidiaries (note 37(a)(i))	67,051	10,410	20,806	3,300	16,258	25,699	143,524	704,246	847,770
Transfers	—	—	—	705	1,077	(1,782)	—	—	—
Disposals	—	—	(21)	(860)	—	—	(881)	—	(881)
At 31 March 2011	231,719	28,169	126,355	22,255	32,145	49,459	490,102	709,454	1,199,556
Accumulated amortisation and depreciation:									
At 1 April 2010	49,246	13,198	19,950	6,995	5,804	—	95,193	773	95,966
Exchange adjustments	2,484	530	1,088	257	277	—	4,636	40	4,676
Acquisition of subsidiaries (note 37(a)(i))	14,794	9,755	18,458	2,748	14,933	—	60,688	1,677	62,365
Charge for the year	9,466	2,295	10,415	2,368	1,757	—	26,301	2,088	28,389
Written back on disposals	—	—	(21)	(860)	—	—	(881)	—	(881)
At 31 March 2011	75,990	25,778	49,890	11,508	22,771	—	185,937	4,578	190,515
Net book value:									
At 31 March 2011	155,729	2,391	76,465	10,747	9,374	49,459	304,165	704,876	1,009,041

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 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)(ii))	—	—	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)(ii))	—	—	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 disposals	—	—	(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)*

(b) The Company

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

	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)*

(c) At 31 March 2011, the Group had pledged interests in leasehold land and buildings with an aggregate carrying value of $108,145,000 (2010: $112,387,000), as collateral against certain loans granted to the Group by a bank (see note 31).

(d) Construction in progress as at 31 March 2011 represents leasehold land and buildings under renovation and machinery under installation.

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

	The Group	
	2011	2010
	$'000	$'000
Outside Hong Kong		
– under medium-term lease	**860,605**	112,387
Represented by:		
Buildings held for own use	**155,729**	108,187
Interests in leasehold land held for own use under operating leases	**704,876**	4,200
	860,605	112,387

(f) Fixed assets held under finance leases

The Group leases two motor vehicles under finance leases expiring in 1.5 years and 4.5 years respectively. The lease which is expiring in 1.5 years was entered into by the Company. At the end of the lease term the Group and the Company have the option to purchase the leased motor vehicles at a price deemed to be a bargain purchase option. The leases do not include contingent rentals.

At the end of the reporting period, the net book value of motor vehicles held under finance leases of the Group was $7,563,000 (2010: $3,597,000) and of the Company was $2,461,000 (2010: $3,597,000).

17 INTANGIBLE ASSETS

	The Group		
	Management service contract rights $'000	Operating rights for cord blood banks $'000	Total $'000
Cost:			
At 1 April 2010	842,703	—	842,703
Exchange adjustments	38,218	—	38,218
At 31 March 2011	880,921	—	880,921
Accumulated amortisation:			
At 1 April 2010	21,607	—	21,607
Exchange adjustments	1,697	—	1,697
Charge for the year	28,083	—	28,083
At 31 March 2011	51,387	—	51,387
Carrying amount:			
At 31 March 2011	**829,534**	**—**	**829,534**

17 INTANGIBLE ASSETS *(continued)*

	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)(ii))	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

The amortisation charges for the years ended 31 March 2011 and 2010 are included in cost of sales in the consolidated income statement.

18 GOODWILL

	The Group	
	2011	2010
	$'000	$'000
Cost:		
At beginning of the year	**427,625**	67,169
Exchange adjustments	**19,401**	1,510
Acquisition of subsidiaries (note 37(a)(ii))	**—**	425,609
Disposal of subsidiaries (note 37(b))	**—**	(66,663)
At end of the year	**447,026**	427,625

Impairment tests for cash-generating units containing goodwill

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

	2011	2010
	$'000	$'000
Medical Device	**506**	506
Hospital Management	**446,520**	427,119
	447,026	427,625

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)*

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

Key assumptions used for value-in-use calculations:

	2011 %	2010 %
Gross margin		
– Medical Device	**56.7**	56.7
– Hospital Management	**76.0**	78.9
Growth rate		
– Medical Device	**10.0**	10.0
– Hospital Management	**8.7**	8.9
Discount rate		
– Medical Device	**17.3**	17.2
– Hospital Management	**14.0**	14.0

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

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

19 INTERESTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company	
	2011 $'000	2010 $'000
Unlisted shares, at cost	**280,248**	78,053
Amounts due from subsidiaries	**2,193,982**	1,887,055
	2,474,230	1,965,108

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

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS IN SUBSIDIARIES *(continued)*

(b) Amounts due to subsidiaries

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

(c) Particulars of principal subsidiaries

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

Name of company	Place of incorporation/ establishment and operation	Proportion of ownership interest			Issued/ registered capital	Principal activities
		Group's effective holding	held by the Company	held by subsidiaries		
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	76.1%	—	100%	US$10,100,000	Manufacture and sale of medical devices
China Bright Group Co. Limited	Hong Kong	76.1%	76.1%	—	$1,494,232	Investment holding
China Healthcare Inc. ("CHI")	Cayman Islands	100%	—	100%	US$1,000	Investment holding
Golden Meditech (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 operation	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 Hundreds' Ace Herbal Pharmaceutical Co., Ltd. ("SHHAH")	The PRC	100%	—	100%	RMB150,000,000	Research and development, manufacture and sale of natural herbal medicines
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

(a) Investments in associates

	The Group	
	2011	2010
	$'000	$'000
Share of net assets	**1,158,058**	455,009
Goodwill	**268,383**	167,764
Loan to an associate	**—**	246,646
Amounts due from associates	**—**	156,867
	1,426,441	1,026,286

At 31 March 2010, loan to an associate was unsecured, interest bearing with an effective interest rate of 9.16% per annum and repayable on 31 December 2012. Amounts due from associates were unsecured, interest-free and had no fixed terms of repayment but were not expected to be settled within one year of the end of the reporting period. Included in amounts due from associates were amounts of $Nil (2010: $14,941,000) due to the Company. Loan to and amounts due from associates were neither past due nor impaired. Such loan to and amounts due from associates were derecognised upon the acquisition of a controlling interest in the associates during the year ended 31 March 2011 (see note 37(a)(i)).

(Expressed in Hong Kong dollars unless otherwise indicated)

20 INTERESTS IN ASSOCIATES *(continued)*

(b) Particulars of principal associates

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

Name of associate	Form of business structure	Place of establishment 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	39.2%	RMB280,000,000	Provision of blood stem cell storage facilities and ancillary services
China Cord Blood Corporation ("CCBC") *	Incorporated	Cayman Islands/ Hong Kong	39.2%	US$6,674	Provision of blood stem cell storage facilities and ancillary services
China Cord Blood Services Corporation	Incorporated	Cayman Islands/ Hong Kong	39.2%	US$1,618,980	Provision of blood stem cell storage facilities and ancillary services
China National Medical Device Industry Corporation ("CMIC")#	Incorporated	The PRC	23.0%	RMB131,970,000	Sale and distribution of medical equipment
Union China National Medical Equipment Co., Ltd. ("UCMC")#	Incorporated	The PRC	23.0%	US$10,000,000	Sale and distribution of medical equipment
Guangzhou Municipality Tianhe Nuoya Bio-engineering Co., Ltd.	Incorporated	The PRC	34.7%	RMB40,000,000	Provision of blood stem cell storage facilities and ancillary services
Beijing Pypo Technology Group Company Limited	Incorporated	The PRC	25.0%	RMB700,000,000	Distribution of personal electronic goods
Funtalk China Holdings Ltd ("FTLK") **	Incorporated	Cayman Islands/ Hong Kong	25.0%	US$52,141	Distribution and retail sales of personal electronic goods

20 INTERESTS IN ASSOCIATES *(continued)*

(b) Particulars of principal associates *(continued)*

During the year ended 31 March 2011, UCMC has undertook a capital restructuring which resulted in dilution of the Group's interest in UCMC held via a non-wholly owned subsidiary, from 37.8% to 23.0% and a gain on deemed disposal of partial interests in associates of $5,852,000 (2010: $Nil). In connection with the capital restructuring, the non-wholly owned subsidiary of the Group also received a 23.0% equity interest in CMIC. As of 31 March 2011, the Group held the interests in CMIC and UCMC through a 76.1% owned subsidiary and was entitled to an effective interest of 17.5% in these entities.

* CCBC's shares are listed on the New York Stock Exchange. The offering of new shares by CCBC resulted in the dilution of the Group's interest in CCBC during the years ended 31 March 2011 and 2010, and a gain on deemed disposal of partial interests in associates of $31,956,000 (2010: $47,542,000). The market value of the Group's effective interest in CCBC as at 31 March 2011 amounted to US$96,121,000 (equivalent to $749,743,000) (2010: US$174,699,000 (equivalent to $1,353,919,000)).

** FTLK's shares are listed on the NASDAQ Stock Market. On 7 July 2010, a jointly controlled entity of the Group, Capital Ally Investments Limited distributed its entire equity interest in FTLK to the Group and the other joint venture partner in equal proportions. As a result of the distribution, FTLK has become an associate of the Group and the Group has reclassified the carrying amount of interests in jointly controlled entities in relation to its effective interest in FTLK as of the date of distribution as interests in associates. Subsequent to the distribution and up to 31 March 2011, FTLK has undertaken certain equity transactions which resulted in dilution of the Group's interest in FTLK and a gain on deemed disposal of partial interests in associates of $8,861,000 (2010: $Nil). The market value of the Group's effective interest in FTLK as at 31 March 2011 amounted to US$97,837,000 (equivalent to $763,127,000) (2010: US$99,495,000 (equivalent to $771,086,000)).

Summary of financial information on associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000
2011					
100 per cent	**7,962,196**	**(4,063,823)**	**3,898,373**	**8,081,296**	**313,659**
Group's effective interest	**2,242,592**	**(1,086,534)**	**1,158,058**	**2,265,333**	**93,458**
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

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2011	2010
	$'000	$'000
Share of net assets	**61,096**	465,915
Goodwill	**—**	253,664
Amount due from a jointly controlled entity	**—**	2,839
	61,096	722,418

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

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

	2011	2010
	$'000	$'000
Non-current assets	**18,495**	686,164
Current assets	**65,221**	1,268,169
Non-current liabilities	**—**	(366,964)
Current liabilities	**(22,620)**	(1,121,454)
Net assets	**61,096**	465,915
Income	**1,006,042**	3,311,751
Expenses	**(991,812)**	(3,235,720)
Profit for the year	**14,230**	76,031

22 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group	
	2011	2010
	$'000	$'000
Listed outside Hong Kong, at market value	**8,979**	992
Unlisted equity securities, at cost less impairment loss	**89,241**	89,241
Private equity fund, at cost less impairment loss	**48,189**	20,400
	146,409	110,633

At 31 March 2011, management considered that objective evidence of impairment existed for certain of the Group's available-for-sale equity securities as a result of significant and prolonged declines in their market values below cost. Impairment losses on these investments of $3,411,000 (2010: $3,000,000) have been recognised in the consolidated income statement in accordance with the policy set out in note 2(k)(i) (see note 6).

23 NON-CURRENT PREPAYMENTS AND DEPOSITS

Included in non-current prepayments and deposits of the Group and the Company as at 31 March 2011 is earnest money of $961,368,000 (2010: $392,980,000) and $298,390,000 (2010: $69,123,000), respectively, for potential acquisitions. Included in the amount paid by the Group as at 31 March 2011 is $600,000,000 for a proposed acquisition contracted for after the year end (see note 44(a)).

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

24 OTHER INVESTMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Financial assets at fair value through profit or loss				
– equity securities listed in Hong Kong	**169,550**	72,697	**—**	—
– equity securities listed outside Hong Kong	**593**	5,254	**3**	151
	170,143	77,951	**3**	151

25 INVENTORIES

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

	The Group	
	2011	2010
	$'000	$'000
Raw materials	**1,932**	815
Work in progress	**2,408**	1,547
Finished goods	**13,225**	11,533
	17,565	13,895

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

	The Group	
	2011	2010
	$'000	$'000
Carrying amount of inventories sold	**101,389**	94,042

26 TRADE RECEIVABLES

	The Group	
	2011	2010
	$'000	$'000
Trade receivables	**171,839**	108,458
Less: Allowance for doubtful debts (note 26(b))	**(7,325)**	(6,283)
	164,514	102,175

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	
	2011	2010
	$'000	$'000
Within six months	**100,889**	101,653
Between seven and twelve months	**37,462**	108
Over one year	**26,163**	414
	164,514	102,175

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	
	2011	2010
	$'000	$'000
At beginning of the year	**6,283**	14,867
Impairment loss recognised	**738**	1,150
Exchange adjustments	**304**	20
Disposal of subsidiaries	**—**	(9,754)
At end of the year	**7,325**	6,283

At 31 March 2011, the trade receivables of the Group totalling $7,325,000 (2010: $6,309,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and/or have defaulted on payments and management assessed that only a portion of the receivables is expected to be recovered. Consequently, a specific allowance for doubtful debts of $7,325,000 (2010: $6,283,000) 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	
	2011	2010
	$'000	$'000
Neither past due nor impaired	**91,373**	87,845
Past due but not impaired		
Within six months	**9,516**	13,808
Between seven and twelve months	**37,462**	108
Over one year	**26,163**	388
	73,141	14,304
	164,514	102,149

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	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Deposits with banks	**—**	2,664	**—**	2,129
Cash at bank and on hand	**770,591**	823,493	**120,684**	48,474
Cash and cash equivalents in the statement of financial position	**770,591**	826,157	**120,684**	50,603
Bank overdrafts (note 31)	**(141)**	—		
Cash and cash equivalents in the consolidated cash flow statement	**770,450**	826,157		

28 CASH AND BANK BALANCES *(continued)*

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

	Note	**2011** **$'000**	2010 $'000
Profit before taxation			
– From continuing operations		**401,569**	158,355
– From discontinued operation	11(a)	**—**	26,853
		401,569	185,208
Adjustments for:			
– Depreciation	16(a)	**26,301**	24,969
– Amortisation of land lease premium	16(a)	**2,088**	103
– Amortisation of intangible assets	17	**28,083**	22,389
– Interest income	5	**(23,935)**	(25,076)
– Dividend income from investments in securities	5	**(1,372)**	(2)
– Impairment loss on available-for-sale equity securities carried at cost less impairment	6	**3,411**	3,000
– Net realised and unrealised gain on financial assets at fair value through profit or loss	6	**(96,787)**	(28,425)
– Net loss on disposal of property, plant and equipment	6	**—**	131
– (Decrease)/increase in fair value of financial liabilities at fair value through profit or loss	34	**(36,009)**	102,357
– Finance costs	7(a)	**6,338**	8,520
– Gain on deemed disposal of partial interests in associates	20	**(46,669)**	(47,542)
– Share of profits less losses of associates	20	**(93,458)**	(9,150)
– Share of profits of jointly controlled entities	21	**(14,230)**	(76,031)
– Loss on disposal of interests in associates	37(a)(i)	**2,628**	—
– Equity-settled share-based payment expenses	7(b)	**820**	26,985
– Effect of foreign exchange rates		**(21,696)**	(11,449)
Operating profit before changes in working capital		**137,082**	175,987

28 CASH AND BANK BALANCES *(continued)*

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

	Note	2011 $'000	2010 $'000
Increase in non-current trade receivables		—	(29,016)
Decrease in non-current prepayments		**800**	40,623
Decrease in inventories		**1,951**	8,312
(Increase)/decrease in trade receivables		**(41,721)**	43,773
Decrease in other receivables, deposits and prepayments		**2,450**	11,088
Decrease/(increase) in amount due from jointly controlled entities		**2,895**	(2,839)
Increase in trade payables		**19,803**	60,626
Decrease in other payables and accruals		**(3,406)**	(29,960)
Increase in deferred income		—	28,111
(Decrease)/increase in other non-current liabilities		**(83)**	1,004
Cash generated from operations		**119,771**	307,709

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	
	2011 $'000	2010 $'000
Due within three months or on demand	**118,584**	93,682

30 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Other payables and accruals	**48,855**	34,408	**6,697**	7,652

31 BANK LOANS AND OVERDRAFTS

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Within one year or on demand	**118,863**	113,572	**—**	—
After one year but within two years	**233,428**	—	**233,428**	—
After two years but within five years	**—**	232,960	**—**	232,960
	233,428	232,960	**233,428**	232,960
	352,291	346,532	**233,428**	232,960

31 BANK LOANS AND OVERDRAFTS *(continued)*

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Unsecured bank overdrafts (note 28)	**141**	—	**—**	—
Bank loans				
– Secured	**118,722**	113,572	**—**	—
– Unsecured	**233,428**	232,960	**233,428**	232,960
	352,291	346,532	**233,428**	232,960

The bank loan of $118,722,000 (2010: $113,572,000) 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 $233,428,000 (2010: $232,960,000) which is unsecured, has a five-year term and carries interest based on changes in an interest rate index. The loan contains an embedded interest rate collar such that interest on the loan lies within the range of 0% to 13% per annum. The embedded derivatives are considered closely related to the host debt contract. The loan is therefore measured at amortised cost.

Unsecured bank loan facilities of the Group and the Company of $233,428,000 (2010: $232,960,000) are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 39(b). As at 31 March 2011 and 2010, none of the covenants relating to drawn down facilities had been breached.

32 OBLIGATIONS UNDER FINANCE LEASES

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

	The Group			
	2011		2010	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within one year	**1,809**	**2,019**	926	1,044
After one year but within two years	**1,623**	**1,759**	977	1,044
After two years but within five years	**2,609**	**2,748**	682	695
	4,232	**4,507**	1,659	1,739
	6,041	**6,526**	2,585	2,783
Less: Total future interest expenses		**(485)**		(198)
Present value of lease obligations		**6,041**		2,585

32 OBLIGATIONS UNDER FINANCE LEASES *(continued)*

At the end of the reporting period, the Company had obligations under a finance lease repayable as follows: (continued)

	The Company			
	2011		2010	
	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	**977**	**1,044**	926	1,044
After one year but within two years	**682**	**695**	977	1,044
After two years but within five years	**—**	**—**	682	695
	682	**695**	1,659	1,739
	1,659	**1,739**	2,585	2,783
Less: Total future interest expenses		**(80)**		(198)
Present value of lease obligations		**1,659**		2,585

33 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2011 $'000	2010 $'000
PRC income tax payable	**34,420**	12,366

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

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

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

	The Group					
	Depreciation/ amortisation allowance in excess of the related depreciation/ amortisation $'000	Intangible assets $'000	Allowance for doubtful debts $'000	Withholding tax on dividends $'000	Others $'000	Total $'000
Deferred tax arising from:						
At 1 April 2009	(3,392)	—	(3,133)	—	(269)	(6,794)
Acquisition of subsidiaries (note 37(a)(ii))	—	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**
At 1 April 2010	**(2,190)**	**205,274**	**(1,217)**	**—**	**—**	**201,867**
Acquisition of subsidiaries (note 37(a)(i))	**168,297**	**—**	**—**	**—**	**—**	**168,297**
(Credited)/charged to the income statement (note 8)	**(2,566)**	**(7,020)**	**(545)**	**14,182**	**(2,606)**	**1,445**
Exchange adjustments	**(152)**	**9,130**	**(69)**	**—**	**(67)**	**8,842**
At 31 March 2011	**163,389**	**207,384**	**(1,831)**	**14,182**	**(2,673)**	**380,451**

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

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

(ii) Reconciliation to the statement of financial position

	The Group	
	2011	2010
	$'000	$'000
Net deferred tax assets recognised in the statement of financial position	**(8,929)**	(3,407)
Net deferred tax liabilities recognised in the statement of financial position	**389,380**	205,274
	380,451	201,867

(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 $41,605,000 (2010: $20,009,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Cumulative tax losses of $18,097,000 (2010: $18,097,000) do not expire under the current tax legislation while tax losses amounting to $23,508,000 (2010: $1,912,000) will expire in five years under the current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 March 2011, temporary differences relating to the undistributed profits of subsidiaries amounted to $272,057,000 (2010: $411,377,000). Deferred tax liabilities of $13,603,000 (2010: $20,569,000) 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 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Convertible notes				
– issued by the Company	**59,734**	177,496	**59,734**	177,496
– issued by a subsidiary	**248,767**	232,825	**—**	—
	308,501	410,321	**59,734**	177,496
Written option to subscribe for additional convertible notes				
– issued by the Company	**—**	5,612	**—**	5,612
Written put and compensation options to non-controlling interests of a subsidiary issued by the Company (note 37(c))	**—**	—	**161,165**	—
Warrants				
– issued by the Company	**14,077**	41,640	**14,077**	41,640
	322,578	457,573	**234,976**	224,748

The decrease in fair value of the financial liabilities for the year ended 31 March 2011 of $36,009,000 (2010: increase of $102,357,000) has been recognised in profit or loss. As at 31 March 2011, the excess of the fair value of convertible notes and warrants upon initial recognition determined using unobservable inputs over the transaction price of $64,750,000 (2010: $103,071,000) has been deferred and has not yet been recognised.

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

(a) Convertible notes and warrants issued by the Company

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

The terms and conditions of the convertible notes are the same except that the noteholders of the July issue have an option to require the Company to issue additional convertible notes up to a further aggregate principal amount of US$1,000,000, equivalent to $7,800,000 at an issue price of 100% of the aggregate principal amount of the relevant convertible notes, exercisable during the period up to 365 days after 20 July 2009 ("Subscription Option"). The 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 2012 and 9 September 2014 respectively.

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

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

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

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

(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 the guarantee from the Company.

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

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

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

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.

35 SHARE REPURCHASE OBLIGATIONS

Share repurchase obligations represent the put option written to non-controlling interests for the repurchase of shares of a subsidiary (see note 37(c)) and are stated at amortised cost. During the year ended 31 March 2011, the difference between the carrying amount measured at present value and the amount initially recognised of $23,583,000 (2010: $Nil) has been recognised directly in equity.

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 2009		159,392	1,051,485	5,868	10,165	81,025	1,307,935
Changes in equity for the year ended 31 March 2010:							
Profit and total comprehensive income for the year		—	—	—	—	105,966	105,966
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
Balance at 31 March and 1 April 2010		**162,765**	**1,085,774**	**5,868**	**37,150**	**186,991**	**1,478,548**
Changes in equity for the year ended 31 March 2011:							
Profit and total comprehensive income for the year		**—**	**—**	**—**	**—**	**570,861**	**570,861**
Issue of shares upon listing of TDRs	36(b)(i)	**12,000**	**163,110**	**—**	**—**	**—**	**175,110**
Issue of shares for acquisition of subsidiaries	36(b)(ii)	**6,000**	**76,800**	**—**	**—**	**—**	**82,800**
Issue of shares upon exercise of share options	36(b)(iii)	**1,767**	**26,347**	**—**	**(7,798)**	**—**	**20,316**
Issue of shares upon conversion of convertible notes	36(b)(iv)	**6,371**	**89,839**	**—**	**—**	**—**	**96,210**
Equity settled shared-based payment expenses		**—**	**—**	**—**	**820**	**—**	**820**
Balance at 31 March 2011		**188,903**	**1,441,870**	**5,868**	**30,172**	**757,852**	**2,424,665**

36 CAPITAL AND RESERVES *(continued)*

(b) Share capital

	Note	2011 No. of shares ('000)	2011 Amount $'000	2010 No. of shares ('000)	2010 Amount $'000
Authorised:					
Ordinary shares of $0.1 each		**4,000,000**	**400,000**	4,000,000	400,000
Issued and fully paid:					
At the beginning of the year		**1,627,651**	**162,765**	1,593,922	159,392
Issue of shares upon listing of TDRs	(i)	**120,000**	**12,000**	—	—
Issue of shares for acquisition of subsidiaries	(ii)	**60,000**	**6,000**	—	—
Issue of shares upon exercise of share options	(iii)	**17,667**	**1,767**	—	—
Issue of shares upon conversion of convertible notes	(iv)	**63,710**	**6,371**	33,729	3,373
At the end of the year		**1,889,028**	**188,903**	1,627,651	162,765

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) Issue of shares upon listing of TDRs

In connection with the listing of TDRs as described in note (i), the Company issued 120,000,000 new ordinary shares of $0.1 each. Total proceeds of $175,110,000, net of share issuance expenses, were raised and $12,000,000 was credited to share capital and the balance of $163,110,000 was credited to the share premium account.

(ii) Issue of shares for acquisition of subsidiaries

On 9 March 2011, the Company entered into sale and purchase agreements to acquire the remaining equity interests of associates (see note 37(a)(i)). As consideration for the acquisition, the Company issued 60,000,000 ordinary shares to the vendors and the consideration was measured at the market value of the shares of $82,800,000 as of the date of transfer. Accordingly, $6,000,000 was credited to share capital and $76,800,000 was credited to the share premium account.

36 CAPITAL AND RESERVES *(continued)*

(b) Share capital *(continued)*

Notes: *(continued)*

(iii) Issue of shares upon exercise of share options

During the year ended 31 March 2011, a total of 17,667,000 share options were exercised (2010: Nil) at an aggregate price paid of $20,316,000. Following the exercise of share options, the share capital and share premium accounts of the Company have been increased by $1,767,000 and $26,347,000 respectively. Included in the amounts is $7,798,000 which has been transferred from capital reserve to the share premium account.

(iv) Issue of shares upon conversion of convertible notes

During the year ended 31 March 2011, 63,710,000 (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 $6,371,000 and $89,839,000 (2010: $3,373,000 and $34,289,000) respectively.

(c) Reserves

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Share premium	**1,441,870**	1,085,774	**1,441,870**	1,085,774
Capital redemption reserve	**5,868**	5,868	**5,868**	5,868
Capital reserve	**30,172**	37,150	**30,172**	37,150
Merger reserve	**54,193**	54,193	**—**	—
Exchange reserve	**339,621**	222,722	**—**	—
Surplus reserve	**93,647**	90,254	**—**	—
Fair value reserve	**8,513**	13,535	**—**	—
Other reserves	**(388,661)**	(71,661)	**—**	—
Retained profits	**2,039,332**	1,707,660	**757,852**	186,991
	3,624,555	3,145,495	**2,235,762**	1,315,783

36 CAPITAL AND RESERVES *(continued)*

(c) Reserves *(continued)*

Nature and purpose of reserves:

(i) Share premium

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

(ii) Capital redemption reserve

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

(iii) Capital reserve

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

(iv) Merger reserve

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

(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.

36 CAPITAL AND RESERVES *(continued)*

(c) Reserves *(continued)*

Nature and purpose of reserves: *(continued)*

(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 end of the reporting period and is dealt with in accordance with the accounting policy set out in note 2(f).

(viii) Other reserves

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

(i) the excess of purchase consideration on acquisition of non-controlling 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.

(d) Distributability of reserves

At 31 March 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $2,199,722,000 (2010: $1,272,765,000). The directors do not recommend the payment of a dividend for the year ended 31 March 2011.

36 CAPITAL AND RESERVES *(continued)*

(e) Capital management

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

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

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

During the year ended 31 March 2011, the Group's strategy, which was unchanged from 2010, 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 2011 and 2010 were as follows:

		The Group		**The Company**	
	Note	**2011**	2010	**2011**	2010
		$'000	$'000	**$'000**	$'000
Bank loans and overdrafts	31	**352,291**	346,532	**233,428**	232,960
Obligations under finance leases	32	**6,041**	2,585	**1,659**	2,585
Financial liabilities at fair value through profit or loss	34	**322,578**	457,573	**234,976**	224,748
Total debt		**680,910**	806,690	**470,063**	460,293
Total equity		**4,256,354**	3,575,052	**2,424,665**	1,478,548
Debt-to-capital ratio		**16.00%**	22.56%	**19.39%**	31.13%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements except for those as described in note 31.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

(i) CHI and its subsidiaries

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

The principal activities of the acquired group are the research and development, manufacture and sale of natural herbal medicines and such operation has been identified as an operating segment. The contribution to the Group's revenue and profit for the year is disclosed in note 15.

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

Details of net assets acquired are as follows:

	Carrying amount $'000	Fair value $'000
Net assets acquired:		
Fixed assets (note 16)	91,680	785,405
Trade receivables	15,984	15,984
Inventories	4,991	4,991
Other receivables, deposits and prepayments	2,638	2,638
Cash and bank balances	3,087	3,087
Trade payables	(850)	(850)
Other payables and accruals	(20,679)	(20,679)
Deferred tax liabilities (note 33(b))	—	(168,297)
Net assets acquired		622,279
Fair value of interests in associates on the date of obtaining control		(539,479)
Total purchase price paid, satisfied in shares		82,800

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

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of subsidiaries (continued)

(i) CHI and its subsidiaries (continued)

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

(ii) GMHM (China) and its 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.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of subsidiaries (continued)

(ii) GMHM (China) and its subsidiaries (continued)

Details of net assets acquired and goodwill were as follows:

	Carrying amount $'000	Fair value $'000
Net assets acquired:		
Fixed assets (note 16)	20,578	20,578
Intangible assets (note 17)	—	840,061
Non-current prepayments and deposits	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
Non-controlling 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.

	$'000
Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	
Total purchase price	830,000
Amount 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 Exchange 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	(4,240)
Deferred income	(112,417)
Net assets disposed of	807,410
Release of reserves	(851)
Non-controlling 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)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(c) Disposal of partial interests in a subsidiary

On 27 August 2010, the Group sold a 23.9% equity interest in a then wholly-owned subsidiary, China Bright Group Co. Limited ("China Bright") to certain investors, at a consideration of $7.94 per share. In connection with the sale of shares, the Company wrote a put option ("Put option") and a compensation option ("Compensation option") to the investors. The Put option gives the investors the right to require the Company to re-acquire the sold shares of China Bright at $15.88 per share if a separate listing of the shares of China Bright on the Main Board of the Stock Exchange, NASDAQ or the New York Stock Exchange with a market capitalisation of no less than US$280,000,000 (equivalent to $2,184,000,000) is not completed within two years from 27 August 2010. The Compensation option gives the investors the right to require the Company to pay a compensation to the investors determined by any shortfall between a guaranteed market capitalisation of US$280,000,000 (equivalent to $2,184,000,000) and the actual market capitalisation of China Bright after the initial public offering of its shares should such an offering take place within two years from 27 August 2010. The investors can either exercise the Put option or the Compensation option but not both. As the terms of the Put option are more favourable to investors than those of the Compensation option, the value of the Compensation option is estimated to be nil. The Put option is recognised as an obligation of the Group to repurchase own equity, and is presented as share repurchase obligations in the consolidated statement of financial position (see note 35).

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

In the Company's statement of financial position, the Put option and the Compensation option, which represent obligations in respect of a subsidiary's shares, have been recognised as financial liabilities at fair value through profit or loss (see note 34), and were initially recognised at fair value of $238,443,000. The decrease in fair value of the financial liabilities for the year ended 31 March 2011 of $5,835,000 (2010: $Nil) has been credited to the Company's profit or loss.

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, the "Schemes") and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. The Current Scheme was terminated upon the transfer of the listing of the shares of the Company from the GEM to the Main Board of the Stock Exchange on 16 June 2009. No further options may be offered under the Current Scheme. However, in respect of all options which remained exercisable on the said dates of termination, they shall continue to be exercisable subject to the provisions of the 2002 Scheme or the Current Scheme as applicable.

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

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

(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 each 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 — up to 60% immediately after 18 months from the date of grant — up to 100% immediately after 30 months from the date of grant	Expire at the close of business on 3 March 2015
— on 27 April 2009 ("Option 3")	1.15	18,800,000	— up to 30% immediately after the date of grant — up to 60% immediately after 6 months from the date of grant — up to 100% immediately after 12 months from the date of grant	Expire at the close of business on 26 April 2019
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 — up to 60% immediately after 6 months from the date of grant — up to 100% immediately after 12 months from the date of grant	Expire at the close of business on 26 April 2019
		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:

	2011		2010	
	Weighted average exercise price $	**Number of options '000**	Weighted average exercise price $	Number of options '000
Outstanding at the beginning of the year	**1.47**	**140,476**	1.73	77,476
Granted during the year	**—**	**—**	1.15	63,000
Exercised during the year	**1.15**	**(17,667)**	—	—
Outstanding at the end of the year	**1.52**	**122,809**	1.47	140,476
Exercisable at the end of the year	**1.52**	**122,809**	1.54	115,276

The options outstanding at 31 March 2011 had an exercise price of $1.15 to $1.76 (2010: $1.15 to $1.76) and a weighted average remaining contractual life of 5.46 years (2010: 6.79 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	46.27%
— 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

(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)*

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%

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 were authorised, at their discretion, to offer any employee (including any director) of options to subscribe for shares in CSC to recognise their contributions to the growth of CSC. Each share option gave the holder the right to subscribe for one share of CSC. The CSC Scheme was valid and effective for a period of ten years ending on 21 September 2016. The share options were exercised in full 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 notes 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 deposits for potential acquisitions. 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. Trade receivables of the Medical Device segment are due within 60 to 180 days from the date of billing. For receivables of the Hospital Management segment, 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 deposits for potential acquisition, the management closely monitors credit risk based on the financial positions of the counterparties. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings. The Group monitors the exposure to each financial institution.

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

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

At the end of the reporting period, the Group has a certain concentration of credit risk as 42% (2010: 45%) and 99% (2010: 99%) of the trade receivables were due from the Group's largest customer and the five largest customers respectively for the Medical Device segment. For the Hospital Management segment, all the trade receivables are due from two major customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. Except for the financial guarantees disclosed in note 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 end of the reporting period 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 note 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 at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2011 Contractual undiscounted cash flow					2010 Contractual undiscounted cash flow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000
Trade payables	118,584	–	–	118,584	118,584	93,682	–	–	93,682	93,682
Other payables and accruals	48,855	–	–	48,855	48,855	34,408	–	–	34,408	34,408
Bank loans and overdrafts	122,732	233,428	–	356,160	352,291	117,002	–	232,960	349,962	346,532
Convertible notes	13,400	13,400	320,730	347,530	308,501	15,553	15,553	411,666	442,772	410,321
Obligations under finance leases	2,019	1,759	2,748	6,526	6,041	1,044	1,044	695	2,783	2,585
Share repurchase obligations	–	566,699	–	566,699	511,791	–	–	–	–	–
Other non-current liabilities	–	398	–	398	398	–	460	–	460	460
	305,590	815,684	323,478	1,444,752	1,346,461	261,689	17,057	645,321	924,067	887,988
Financial guarantees issued:										
Maximum amount guaranteed (note 41)	–	–	–	–	–	153,322	–	–	153,322	–

39 FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The Company

	2011 Contractual undiscounted cash flow					2010 Contractual undiscounted cash flow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000
Other payables and accruals	6,697	—	—	6,697	6,697	7,652	—	—	7,652	7,652
Bank loans	—	233,428	—	233,428	233,428	—	—	232,960	232,960	232,960
Convertible notes	2,480	2,480	85,920	90,880	59,734	4,633	4,633	165,147	174,413	177,496
Obligations under a finance lease	1,044	695	—	1,739	1,659	1,044	1,044	695	2,783	2,585
Written put and compensation options	—	566,699	—	566,699	161,165	—	—	—	—	—
	10,221	803,302	85,920	899,443	462,683	13,329	5,677	398,802	417,808	420,693
Financial guarantees issued:										
Maximum amount guaranteed (note 41)	—	—	218,400	218,400	—	—	—	218,400	218,400	—

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

(c) Interest rate risk

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

39 FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

(i) *Interest rate profile*

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

	The Group				The Company			
	2011		2010		**2011**		2010	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000	**Effective interest rate %**	**$'000**	Effective interest rate %	$'000
Fixed rate assets/(liabilities):								
Loan to an associate	**—**	**—**	9.16	246,646	**—**	**—**	—	—
Deposits with banks	**—**	**—**	—	2,664	**—**	**—**	—	2,129
Share repurchase obligations	**8.28**	**(511,791)**	—	—	**—**	**—**	—	—
Obligations under finance leases	**4.06**	**(6,041)**	5.43	(2,585)	**5.43**	**(1,659)**	5.43	(2,585)
		(517,832)		246,725		**(1,659)**		(456)
Variable rate assets/(liabilities):								
Cash at bank and on hand	**0.34**	**770,591**	0.33	823,493	**0.06**	**120,684**	0.01	48,474
Bank loans and overdrafts	**2.01**	**(352,291)**	2.26	(346,532)	**0.20**	**(233,428)**	0.20	(232,960)
		418,300		476,961		**(112,744)**		(184,486)

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 2011, with all other variables held constant, would have increased/decreased the Group's profit after taxation by approximately $8,258,000/ $8,483,000, retained profits by approximately $6,842,000/ $6,984,000 and non-controlling interests by approximately $1,416,000/ $1,499,000 respectively (2010: increased/decreased profit after taxation by approximately $9,259,000/ $9,604,000, retained profits by approximately $7,629,000/ $7,864,000 and non-controlling interests by approximately $1,630,000/ $1,735,000 respectively).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after 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 2010.

(d) Currency risk

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

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

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 end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate:

The Group

Exposure to foreign currencies (expressed in Hong Kong dollars)

	2011							2010						
	United States Dollars $'000	Hong Kong Dollars $'000	Chinese Renminbi $'000	British Pounds Sterling $'000	Australian Dollars $'000	Singaporean Dollars $'000	New Taiwan Dollars $'000	United States Dollars $'000	Hong Kong Dollars $'000	Chinese Renminbi $'000	British Pounds Sterling $'000	Australian Dollars $'000	Singaporean Dollars $'000	New Taiwan Dollars $'000
Loan to an associate	–	–	–	–	–	–	–	–	–	–	246,646	–	–	–
Available-for-sale equity securities	138,395	–	–	–	–	–	8,014	110,633	–	–	–	–	–	–
Other investments	593	–	–	–	–	–	–	5,254	–	–	–	–	–	–
Other receivables, deposits and prepayment	139	–	97	–	–	1,080	–	–	–	77	–	–	556	–
Cash and bank balances	5,299	590	437	–	5	8	39	49,367	26,687	4,792	–	4	1,913	–
Convertible notes and warrants	(322,578)	–	–	–	–	–	–	(457,573)	–	–	–	–	–	–
Bank loans and overdrafts	(233,569)	–	–	–	–	–	–	(232,960)	–	–	–	–	–	–
Overall net exposure	(411,721)	590	534	–	5	1,088	8,053	(525,279)	26,687	4,869	246,646	4	2,469	–

39 FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2011		2010	
	United States Dollars $'000	**Chinese Renminbi $'000**	United States Dollars $'000	Chinese Renminbi $'000
Other investments	**3**	**—**	151	—
Cash and bank balances	**1,270**	**437**	44,701	113
Convertible notes and warrants	**(73,811)**	**—**	(224,748)	—
Bank loans	**(233,428)**	**—**	(232,960)	—
Overall net exposure	**(305,966)**	**437**	(412,856)	113

(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 end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies.

39 FINANCIAL INSTRUMENTS *(continued)*

(d) *Currency risk* *(continued)*

(ii) *Sensitivity analysis* *(continued)*

	2011 Increase/ (decrease) in foreign exchange rates	2011 Effect on profit after taxation and retained profits $'000	2011 Effect on other components of equity $'000	2010 Increase/ (decrease) in foreign exchange rates	2010 Effect on profit after taxation and retained profits $'000	2010 Effect on other components of equity $'000
Chinese Renminbi	**5%**	**(2)**	**—**	5%	(1,090)	—
	(5)%	**2**	**—**	(5)%	1,090	—
British Pounds	**10%**	**—**	**—**	10%	24,665	—
Sterling	**(10)%**	**—**	**—**	(10)%	(24,665)	—
Singaporean Dollars	**5%**	**54**	**—**	5%	125	—
	(5)%	**(54)**	**—**	(5)%	(125)	—
New Taiwan Dollars	**5%**	**2**	**407**	5%	—	—
	(5)%	**(2)**	**(407)**	(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 end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2010.

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 listed equity securities at 31 March 2011, with all other variables held constant, would have increased/decreased the Group's profit after taxation and retained profits by approximately $17,014,000 (2010: $7,795,000), and the Group's other components of consolidated equity by approximately $898,000 (2010: $99,000).

It is estimated that an increase/decrease of 10% in the equity prices of the Company and a subsidiary at 31 March 2011, with all other variables held constant, would have resulted in remeasurements of the Group's convertible notes and warrants and decreased/increased the Group's profit after taxation by approximately $12,752,000/ $7,972,000, (2010: $31,491,000/$25,660,000), retained profits by approximately $9,457,000/$5,456,000 (2010: $27,330,000/$22,285,000) and non-controlling interests by approximately $3,295,000/$2,515,000 (2010: $4,161,000/ $3,375,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation and retained profits and other components of consolidated equity that would arise assuming that the changes in the fair value of equity securities had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the fair value of the equity securities, and that all other variables remain constant. The analysis has been performed on the same basis for 2010.

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

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

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

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

2011

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

39 FINANCIAL INSTRUMENTS *(continued)*

(f) Fair values *(continued)*

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

2010

	The Group			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'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)

2011

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

2010

	The Company			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'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.

39 FINANCIAL INSTRUMENTS *(continued)*

(f) Fair values (continued)

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

The movement during the years ended 31 March 2011 and 2010 in the balance of Level 3 fair value measurements is as follows:

	The Group $'000	**The Company** $'000
Financial liabilities at fair value through profit or loss:		
At 1 April 2009	—	—
Net proceeds from issuance	400,692	187,367
Interest paid 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 end of the reporting period	102,357	80,946
At 1 April 2010	457,573	224,748
Net proceeds from issuance	7,565	246,008
Interest paid on convertible notes	(10,341)	(2,150)
Conversion of convertible notes	(96,210)	(96,210)
Changes in fair value recognised in profit or loss during the year	(36,009)	(137,420)
At 31 March 2011	322,578	234,976
Total gains for the year included in profit or loss for liabilities outstanding at the end of the reporting period	36,009	137,420

The gains or 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 2011 and 2010 except as follows:

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

(2) Unlisted equity securities of $137,430,000 (2010: $109,641,000) 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 end of the reporting period.

(g) Estimation of fair values

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

(i) Securities

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

(ii) Interest-bearing loans and borrowings 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

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

	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%

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

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

40 COMMITMENTS

(a) Capital commitments for the acquisition of plant and equipment outstanding at 31 March 2011 not provided for in the financial statements were as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Contracted for	**5,547**	2,822	**—**	—

(b) As at 31 March 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Within 1 year	**17,967**	10,586	**6,139**	6,121
After 1 year but within 5 years	**32,729**	14,947	**5,627**	11,732
	50,696	25,533	**11,766**	17,853

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).

(c) Other commitments

At 31 March 2011, the Group is committed to contribute a further US$11,982,000 (2010: US$15,982,000), equivalent to $93,460,000 (2010: $124,660,000), 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 had 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 end of the reporting period, 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 as at 31 March 2010 under the guarantees issued was the outstanding amount of the facilities drawn down by the jointly controlled entity of $153,322,000. The jointly controlled entity had no outstanding bank loans guaranteed by the Group as at 31 March 2011.

As at 31 March 2011 and 2010, the Company has guaranteed the obligations of a subsidiary under certain convertible notes with a principal amount of $218,400,000 (2010: $218,400,000) issued by the subsidiary (see note 34(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.

The PRC, other than Hong Kong

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

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

43 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

During the years ended 31 March 2011 and 2010, the Group has entered into the following related party transactions:

(i) The Group had made a loan to an associate carried at amortised cost of $246,646,000 as at 31 March 2010. Such loan has been derecognised upon the acquisition of the remaining equity interests in the associates. Interest income of $19,629,000 (2010: $21,269,000) has been recognised during the year ended 31 March 2011.

(ii) The Group leased certain properties from an associate (which was subsequently acquired as a subsidiary on 9 March 2011) under operating leases. The amount of operating lease rental incurred in the year ended 31 March 2011 is $6,890,000 (2010: $1,955,000).

(iii) The Group sold finished goods amounting to $Nil (2010: $2,415,000) to a jointly controlled entity.

(iv) The Group guarantees certain bank loans of a jointly controlled entity (see note 41).

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

(b) Key management personnel remuneration

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

44 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of subsidiaries

On 28 June 2011, the Group entered into an agreement for the acquisition of a 70% equity interest in Beijing Guohua Jiedi Hospital Management Co., Ltd. which holds a 82.73% equity interest in Beijing Qinghe Hospital Co., Limited ("BQHC"). BQHC possesses certain properties under construction for hospital operations in Beijing, the PRC. Total consideration for the acquisition was $600,000,000, to be satisfied in cash. The acquisition has not yet been completed up to the date of this annual report.

(b) Proposed privatisation of associates

The Group and the other major shareholders of FTLK (the "Major Shareholders") made a proposal on 25 March 2011 to acquire all of the outstanding ordinary shares of FTLK not already owned by the Major Shareholders in a "going-private" transaction (the "Transaction"). The Major Shareholders have entered into a consortium agreement, dated 25 March 2011 (the "Consortium Agreement"), pursuant to which the Major Shareholders would form an acquisition vehicle for the purpose of pursuing the proposed Transaction on an exclusive basis for the next twelve months. The Consortium Agreement also obligates the Major Shareholders to (i) vote for the proposed Transaction and not take any action inconsistent with it and (ii) not transfer any of their respective shares in FTLK. As at 25 March 2011, the Major Shareholders owned, in the aggregate, 46,458,314 ordinary shares, or approximately 77.13% of the outstanding shares of FTLK. The Major Shareholders are prepared to acquire all of the outstanding shares of FTLK not already owned by them at a price per share of US$7.1 in cash. After the transaction, it is expected that FTLK would be delisted from NASDAQ. The transaction has not yet been completed up to the date of this annual report. The Group has not entered into any commitments to make additional investments in connection with the Transaction.

(c) Acquisition of non-controlling interests in a subsidiary

On 28 June 2011, the Group entered into an agreement for the acquisition of 15,000 shares in GMHG, representing an additional 15% equity interest in the 60% owned subsidiary, from a non-controlling shareholder of GMHG. GMHG is the holding company of the Group's Hospital Management segment. Pursuant to the agreement, the consideration is to be satisfied by the issuance of 131,756,756 ordinary shares of $0.1 each of the Company. In connection with the acquisition, the holders of the convertible notes issued by GMHG have agreed to a revision of certain terms and conditions of the convertible notes issued by GMHG which includes changing the initial exercise price of the conversion rights from US$1,778.10 to US$1,673.00 per share.

(d) Acquisition of a 100% equity interest in U.S. Healthcare Management Enterprise, Inc.

On 28 June 2011, the Group entered into agreements for the acquisition of a 100% equity interest in U.S. Healthcare Management Enterprises, Inc. ("USHME") for a consideration to be satisfied in cash of US$5,000,000 (equivalent to $39,000,000) and the issuance of 26,351,351 shares of $0.1 each of the Company. As at the date of entering into the agreements, USHME held a 56% equity interest in Shanghai East International Medical Center ("SEIMC"), which is engaged in hospital operations in Shanghai, the PRC. The acquisition has not yet been completed up to the date of this annual report.

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

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

(c) Recognition of deferred tax assets

The Group has recognised deferred tax assets which arose from deductible temporary differences as set out in note 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 profit or loss for the period in which such a reversal takes place.

(d) Valuation of interests in leasehold land and buildings

As described in note 37(a)(i), the interest in leasehold land and buildings acquired from a business combination was initially recognised at fair value as determined by an independent professional valuer on a market value basis as at the completion date of the acquisition. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuation might affect the Group's results in future years.

(Expressed in Hong Kong dollars unless otherwise indicated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011

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 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised HKAS 24, *Related party disclosures*	1 January 2011
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
HKFRS 9, *Financial instruments*	1 January 2013
Amendments to HKAS 12, *Income taxes*	1 January 2012

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.

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

RESULTS

	Year ended 31 March 2007 HK$'000	Year ended 31 March 2008 HK$'000	Year ended 31 March 2009 HK$'000	Year ended 31 March 2010 HK$'000	**Year ended 31 March 2011 HK$'000**
Turnover	331,134	421,147	276,535	285,467	**328,066**
Profit from operations	255,790	535,311	154,344	135,988	**220,169**
Finance costs	(10,817)	(20,628)	(13,091)	(7,999)	**(6,338)**
Gain on deemed disposal of interests in associates and jointly controlled entities	—	55,416	—	47,542	**46,669**
Loss on disposal of interests in associates	—	—	—	—	**(2,628)**
Changes in fair value of financial liabilities at fair value through profit or loss	—	—	—	(102,357)	**36,009**
Share of profits less losses of associates and jointly controlled entities	35,597	68,657	(84,621)	85,181	**107,688**
Profit before taxation	280,570	638,756	56,632	158,355	**401,569**
Income tax	(15,818)	(24,244)	(21,118)	(23,960)	**(42,335)**
Profit for the year from continuing operations	264,752	614,512	35,514	134,395	**359,234**
(Loss)/profit for the year from discontinued operation	(34,101)	99,141	44,822	(10,405)	**—**
Profit for the year	230,651	713,653	80,336	123,990	**359,234**
Attributable to:					
Equity shareholders of the Company	223,365	683,744	57,089	116,412	**343,208**
Non-controlling interests	7,286	29,909	23,247	7,578	**16,026**
Profit for the year	230,651	713,653	80,336	123,990	**359,234**

ASSETS AND LIABILITIES

	As at 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Fixed assets	273,131	351,573	414,769	175,635	**1,009,041**
Intangible assets	516,581	85,488	84,079	821,096	**829,534**
Goodwill	74,450	67,169	67,169	427,625	**447,026**
Interests in associates	33,345	713,743	518,715	1,026,286	**1,426,441**
Interests in jointly controlled entities	504,509	657,764	712,639	722,418	**61,096**
Available-for-sale equity securities	561,936	410,192	143,260	110,633	**146,409**
Other non-current assets	77,007	481,819	944,346	396,180	**963,768**
Deferred tax assets	8,652	5,482	6,794	3,407	**8,929**
	2,049,611	2,773,230	2,891,771	3,683,280	**4,892,244**
Current assets	994,427	1,416,847	1,222,081	1,044,652	**1,148,448**
Total assets	3,044,038	4,190,077	4,113,852	4,727,932	**6,040,692**
Current liabilities	(283,210)	(198,906)	(128,508)	(254,954)	**(322,531)**
Total assets less current liabilities	2,760,828	3,991,171	3,985,344	4,472,978	**5,718,161**
Non-current liabilities	(38,523)	(438,207)	(447,822)	(897,926)	**(1,461,807)**
Net assets	2,722,305	3,552,964	3,537,522	3,575,052	**4,256,354**
Attributable to:					
Equity shareholders of the Company	2,560,154	3,232,898	3,180,360	3,308,260	**3,813,458**
Non-controlling interests	162,151	320,066	357,162	266,792	**442,896**
Total equity	2,722,305	3,552,964	3,537,522	3,575,052	**4,256,354**

Note:

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

Executive Directors

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

Independent Non-executive Directors

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

Registered Office

Appleby Corporate Services (Cayman) Limited
P.O. Box 1350 GT
Clifton House
75 Fort Street, George Town
Grand Cayman, Cayman Islands
British West Indies

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No. 11 Wan Yuan Street
Beijing Economic Technological Development Area
Beijing, 100176 China

Principal Place of Business in Hong Kong

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

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 801

Taiwan Stock Exchange Corporation
Taiwan depositary receipts code: 910801

Qualified Accountant and Company Secretary

Mr. KONG Kam Yu, ACA, AHKSA

Compliance Officer

Mr. KAM Yuen

Audit Committee Members

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

Remuneration Committee Members

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

Authorised Representatives

Mr. KAM Yuen
Ms. ZHENG Ting

Legal Advisers to the Company

as to Hong Kong law
Minter Ellison Lawyers

Auditors

KPMG

Principal Share Registrar and Transfer Office in the Cayman Islands

Appleby Corporate Services (Cayman) Limited

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited

Principal Bankers

China Construction Bank - Beijing Branch
Deutsche Bank AG
Sumitomo Mitsui Banking Corporation
CITIC Bank International Limited
Bank of China (Hong Kong) Limited
Bank Julius Baer & Co. Ltd

Investor Relations Officer

Ms. Karen Lau, Senior Investor Relations Manager
Email: ir@goldenmeditech.com

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GOLDEN MEDITECH HOLDINGS LIMITED
金 衛 醫 療 集 團 有 限 公 司