



INTERIM REPORT

06/07



GOLDEN MEDITECH COMPANY LIMITED

金衛醫療科技有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8180)



Your life's blood
is our life's work

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CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Golden Meditech Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CORPORATE INFORMATION

Executive Directors

Mr. KAM Yuen (*Chairman*)

Ms. JIN Lu

Mr. LU Tian Long

Ms. ZHENG Ting

Independent Non-executive Directors

Prof. CAO Gang

Mr. GAO Zong Ze

Prof. GU Qiao

Registered Office

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Central, Hong Kong

Stock Code

8180

Qualified Accountant and Company Secretary

Mr. KONG Kam Yu, ACA, AHKSA

Compliance Officer

Mr. KAM Yuen

Audit Committee Members

Prof. CAO Gang (*Chairman*)

Mr. GAO Zong Ze

Prof. GU Qiao

Remuneration Committee Members

Mr. GAO Zong Ze (*Chairman*)

Prof. CAO Gang

Prof. GU Qiao

Authorised Representatives

Mr. KAM Yuen

Ms. ZHENG Ting

Legal Advisers to the Company

as to Hong Kong law

Jones Day

Auditors

KPMG

Principal Share Registrar and Transfer Office in the Cayman Islands

Appleby Corporate Services (Cayman) Limited

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited

Principal Bankers

China Construction Bank - Beijing Branch

Sumitomo Mitsui Banking Corporation

Credit Suisse

EFG Bank

CITIC Ka Wah Bank Limited

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Public Relations Consultant

A-World Consulting Limited

Website

www.goldenmeditech.com

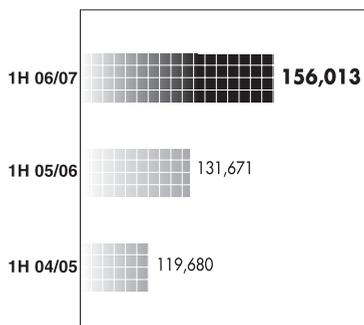
CORPORATE PROFILE

Golden Meditech Company Limited (“Golden Meditech”; stock code: 8180.HK) is a leading hi-tech integrated healthcare service provider in China. Its major business areas are 1) the research and development, manufacture and distribution of medical devices and personal healthcare products; 2) blood stem cell storage and applications; 3) the research and development, manufacture and sale of Chinese herbal medicines. The Group’s mission is to create value for its shareholders while contributing to society through improving people’s health.

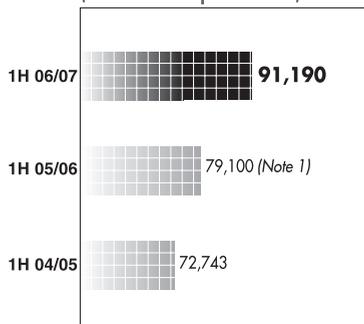
Golden Meditech has a strong commitment to expanding its businesses. Through research and development, expansion of its distribution network, and investment and acquisition, the Group aims to become the world’s leading hi-tech integrated healthcare service provider.

PERFORMANCE HIGHLIGHTS

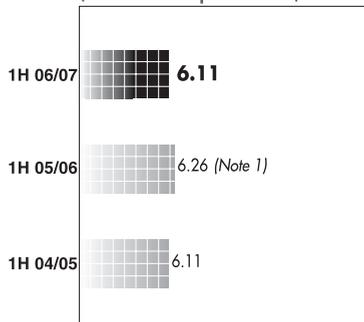
Turnover (HK\$'000)



Profit attributable to equity shareholders of the Company (HK\$'000) (excluded exceptional item)



Basic earnings per share (HK cents) (excluded exceptional item)



Notes:

1. The adjusted profit attributable to equity shareholders of the Company and basic earnings per share for the six months ended 30 September 2005 excluded an exceptional gain of HK\$116,571,000 resulting from a deemed disposal of an associate.
2. New accounting policies on share-based payments and financial instruments were adopted in 2005 and 2006 and the figures for 2004 have not been restated to reflect the new accounting policies.
3. The basic earnings per share for 2004 has been restated for the 2004 Bonus Issue.

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
		2006	2005	2006	2005
		HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Turnover	2	84,183	70,776	156,013	131,671
Cost of sales		(30,054)	(19,559)	(56,925)	(36,850)
Gross profit		54,129	51,217	99,088	94,821
Other revenue	4	12,561	4,631	23,436	8,628
Selling expenses		(4,756)	(3,018)	(8,978)	(5,720)
Administrative expenses		(12,897)	(14,027)	(29,216)	(23,672)
Profit from operations		49,037	38,803	84,330	74,057
Finance costs	5(a)	(2,705)	(3,009)	(5,531)	(6,107)
Gain on deemed disposal of an associate		—	116,571	—	116,571
Share of profits of an associate		110	8,912	229	16,191
Share of profits of a jointly-controlled entity		10,370	—	23,547	—
Profit before taxation	5	56,812	161,277	102,575	200,712
Taxation	6	(3,134)	(3,130)	(6,217)	(5,670)
Profit for the period		53,678	158,147	96,358	195,042
Attributable to:					
Equity shareholders of the Company		49,446	158,453	91,190	195,671
Minority interests		4,232	(306)	5,168	(629)
		53,678	158,147	96,358	195,042
Earnings per share					
- Basic	8	3.24 cents	12.54 cents	6.11 cents	15.48 cents
- Diluted	8	3.22 cents	11.95 cents	5.93 cents	14.82 cents

The notes on pages 12 to 25 form part of these interim financial statements.

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Non-current assets			
Property, plant and equipment	9	168,973	166,094
Construction in progress	9	136,850	137,530
Intangible assets		511,314	523,845
Goodwill	10	151,063	74,450
Interests in an associate		30,624	30,395
Interests in a jointly-controlled entity	11	474,290	—
Available-for-sale equity securities		488,694	635,304
Deferred tax assets		9,397	9,397
		1,971,205	1,577,015
Current assets			
Trading securities		—	580
Inventories	12	39,531	32,887
Trade receivables	13	144,039	144,811
Other receivables, deposits and prepayments		36,257	78,137
Loan receivable		—	211,717
Cash and bank balances		797,097	481,666
		1,016,924	949,798
Current liabilities			
Trade payables	14	48,756	46,076
Other payables and accruals	15	46,126	110,536
Bank loans	16	107,532	37,913
Convertible bonds	17	113,608	—
Current taxation		3,102	3,264
		319,124	197,789
Net current assets		697,800	752,009
Total assets less current liabilities		2,669,005	2,329,024

CONSOLIDATED BALANCE SHEET *(continued)*

	<i>Note</i>	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Non-current liabilities			
Deferred income		25,839	14,833
Government grant		197	193
Bank loan	16	—	96,674
Convertible bonds	17	—	112,277
		<hr/>	<hr/>
		26,036	223,977
		<hr/>	<hr/>
NET ASSETS		2,642,969	2,105,047
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	18	151,637	127,621
Reserves		2,425,590	1,928,377
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		2,577,227	2,055,998
Minority interests		65,742	49,049
		<hr/>	<hr/>
TOTAL EQUITY		2,642,969	2,105,047
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 25 form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to equity shareholders of the Company												
	Capital											Minority interests	Total equity
	Share capital	Share redemption premium	Capital reserve	Merger reserve	Exchange reserve	Surplus reserve	Capital reserve	Fair value reserve	Retained profits	Total	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 1 April 2006	127,621	450,039	—	54,193	28,028	44,677	14,722	513,587	823,131	2,055,998	49,049	2,105,047	
Issue of shares on placement	25,282	581,495	—	—	—	—	—	—	—	606,777	—	606,777	
Share issuance expenses	—	(19,254)	—	—	—	—	—	—	—	(19,254)	—	(19,254)	
Shares repurchased and cancelled	(1,266)	(23,625)	1,266	—	—	—	—	—	(1,266)	(24,891)	—	(24,891)	
Changes in fair value of available-for-sale equity securities	—	—	—	—	—	—	—	(145,753)	—	(145,753)	—	(145,753)	
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	—	—	11,525	11,525	
Exchange differences	—	—	—	—	11,129	—	—	—	—	11,129	—	11,129	
Equity-settled share-based transactions	—	—	—	—	—	—	2,031	—	—	2,031	—	2,031	
Profit for the period	—	—	—	—	—	—	—	—	91,190	91,190	5,168	96,358	
As at 30 September 2006	<u>151,637</u>	<u>988,655</u>	<u>1,266</u>	<u>54,193</u>	<u>39,157</u>	<u>44,677</u>	<u>16,753</u>	<u>367,834</u>	<u>913,055</u>	<u>2,577,227</u>	<u>65,742</u>	<u>2,642,969</u>	
As at 1 April 2005	126,413	437,028	—	54,193	(1,287)	29,487	9,263	—	301,044	956,141	50,343	1,006,484	
Exchange differences	—	—	—	—	13,299	—	—	—	—	13,299	961	14,260	
Equity-settled share-based transactions	—	—	—	—	—	—	2,845	—	—	2,845	—	2,845	
Profit/(loss) for the period	—	—	—	—	—	—	—	—	195,671	195,671	(629)	195,042	
Dividend	—	—	—	—	—	—	—	—	(26,547)	(26,547)	—	(26,547)	
As at 30 September 2005	<u>126,413</u>	<u>437,028</u>	<u>—</u>	<u>54,193</u>	<u>12,012</u>	<u>29,487</u>	<u>12,108</u>	<u>—</u>	<u>470,168</u>	<u>1,141,409</u>	<u>50,675</u>	<u>1,192,084</u>	

The notes on pages 12 to 25 form part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited
For the six months
ended 30 September

	2006	2005
	HK\$'000	HK\$'000
Net cash inflow from operating activities	302,356	148,680
Net cash outflow from investing activities	(525,750)	(3,392)
Net cash (outflow)/inflow before financing	(223,394)	145,288
Net cash inflow from financing	535,255	3,108
Net increase in cash and cash equivalents	311,861	148,396
Cash and cash equivalents as at 1 April	481,666	117,847
Effect of foreign exchange rates changes	3,570	3,391
Cash and cash equivalents as at 30 September	<u>797,097</u>	<u>269,634</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	797,097	307,832
Short-term deposit maturing beyond 3 months	—	(38,198)
	<u>797,097</u>	<u>269,634</u>

The notes on pages 12 to 25 form part of these interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited consolidated results have been prepared under historical cost convention except for certain financial instruments, which are measured at fair values.

All intra-group transactions and balances have been eliminated in preparing these results.

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the consolidated annual financial statements of the Group for the year ended 31 March 2006 except as described below.

In the current reporting period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new “HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after either 1 December 2005 or 1 January 2006. The application of these new HKFRSs has had no material effect on how the Group’s results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustments is required.

2. Turnover

The Group is principally engaged in the manufacture and sale of autologous blood recovery machines (“ABRS Machines”) and the disposable blood processing chambers and related accessories (“Disposable Chambers”), the provision of storage and accessory services for blood stem cells extracted from the umbilical cords of newborn babies (“Cord Blood Bank”), and the development, manufacture and sale of proprietary Chinese herbal medicines.

Turnover represents the amounts received and receivable for goods sold less returns, allowances, value added tax, business tax and other sales tax and income from services rendered to customers.

Turnover recognised during the period may be analysed as follows:

	Unaudited		Unaudited	
	For the three months		For the six months	
	ended 30 September		ended 30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of ABRS Machines	52,701	52,362	97,799	97,179
Sales of Disposable Chambers	12,209	11,337	23,976	21,596
Cord Blood Bank services	16,604	7,077	29,981	12,892
Sales of proprietary Chinese herbal medicines	2,669	—	4,257	4
	84,183	70,776	156,013	131,671

3. Segment information

(i) *Primary reporting format - business segments*

The Group comprises the following main business segments:

Medical Device Segment - the development, manufacture and sale of medical devices;

Cord Blood Bank Segment - the provision of blood stem cell storage and accessory services; and

Chinese Herbal Medicine Segment - the development, manufacture and sale of proprietary Chinese herbal medicines.

The following tables present turnover, expenditure and profit/(loss) from operations information for the Group's business segments.

	Unaudited			
	For the six months ended			
	30 September 2006			
	HK\$'000			
	Medical Device Segment	Cord Blood Bank Segment	Chinese Herbal Medicine Segment	Consolidated
Turnover	121,775	29,981	4,257	156,013
Segment results	84,160	12,930	(15,862)	81,228
Unallocated income less costs				3,102
Profit from operations				84,330
Finance costs				(5,531)
Share of profits of an associate and a a jointly-controlled entity	23,776	—	—	23,776
Profit before taxation				102,575
Taxation				(6,217)
Profit for the period				96,358
Attributable to:				
Equity shareholders of the Company				91,190
Minority interests				5,168
				96,358

3. Segment information (continued)

(i) Primary reporting format - business segments (continued)

	Unaudited For the six months ended 30 September 2005 HK\$'000 (Restated)				
	Medical Device Segment	Cord Blood Bank Segment	Chinese Herbal Medicine Segment	Tumour Treatment Division	Consolidated
Turnover	<u>118,775</u>	<u>12,892</u>	<u>4</u>	—	<u>131,671</u>
Segment results	85,694	3,762	(4,823)	—	84,633
Unallocated income less costs					<u>(10,576)</u>
Profit from operations					74,057
Finance costs					(6,107)
Share of profits of associates	254	—	—	15,937	16,191
Gain on deemed disposal of an associate					<u>116,571</u>
Profit before taxation					200,712
Taxation					<u>(5,670)</u>
Profit for the period					<u>195,042</u>
Attributable to:					
Equity shareholders of the Company					195,671
Minority interests					<u>(629)</u>
					<u>195,042</u>

(ii) Secondary reporting format - geographical segments

In view of the fact that the Group operates mainly in the People's Republic of China (the "PRC"), no geographical segment information is presented.

4. Other revenue

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest income	7,846	283	15,007	554
VAT refund (<i>Note</i>)	4,332	4,348	8,046	8,074
Others	383	—	383	—
	<u>12,561</u>	<u>4,631</u>	<u>23,436</u>	<u>8,628</u>

Note:

Pursuant to the relevant PRC government policies and approval document from the local government authorities dated 1 July 2002, one of the Group's PRC subsidiaries is entitled to a VAT refund which is calculated at approximately 14% of sales of software products embedded in the ABRs Machines for a period expiring in December 2006.

5. Profit before taxation

Profit before taxation is arrived at after crediting and charging:

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Crediting:				
Gain on deemed disposal of an associate	—	116,571	—	116,571
Charging:				
(a) Finance costs:				
Interest on bank loans wholly repayable within five years	1,638	2,109	3,410	4,268
Interest on convertible bonds	962	897	1,913	1,785
Other borrowing costs	105	3	208	54
(b) Staff costs:				
Salaries, wages and other benefits	5,276	3,926	10,214	7,576
Contributions to defined contribution plans	513	267	1,023	535
Equity-settled share-based payment expenses	1,097	1,423	2,031	2,845
(c) Other items:				
Cost of inventories	25,911	17,799	48,653	33,479
Cost of services	4,143	1,760	8,272	3,371
Depreciation	4,050	4,209	8,125	7,927
Operating lease charges				
- in respect of properties	520	661	1,297	1,373
- in respect of other assets	110	123	227	232
Research and development costs	1,251	1,150	3,930	2,168

6. Taxation

Taxation charged to the consolidated income statement represents:

	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current tax - Outside Hong Kong				
PRC income tax for the period	<u>3,134</u>	<u>3,130</u>	<u>6,217</u>	<u>5,670</u>

(i) PRC income tax

The Group's subsidiaries in the PRC are subject to PRC income tax, at 33% or a reduced rate of 15%.

In accordance with the relevant tax rules and regulations in the PRC, one of the subsidiaries was fully exempted from PRC income tax until 31 December 2003. Thereafter, this subsidiary is entitled to a 50% reduction of PRC income tax, or 7.5%, for the next three years until 31 December 2006.

Another subsidiary of the Group was fully exempted from PRC income tax until 31 December 2005. Thereafter, this subsidiary is entitled to a 50% reduction of PRC income tax, or 7.5%, for the next three years until 31 December 2008.

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2006 (2005: Nil) as the Group did not have any profits assessable to Hong Kong Profits Tax during the period.

7. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (2005: Nil).

8. Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the three months and six months ended 30 September 2006 is based on the unaudited consolidated profit attributable to equity shareholders of the Company of HK\$49,446,000 and HK\$91,190,000 respectively divided by the weighted average number of 1,523,908,513 and 1,491,919,124 shares respectively in issue during the periods.

The calculation of basic earnings per share for the three months and six months ended 30 September 2005 is based on the unaudited consolidated profit attributable to equity shareholders of the Company of HK\$158,453,000 and HK\$195,671,000 respectively divided by the weighted average number of 1,264,124,909 and 1,264,124,909 shares respectively in issue during the periods.

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three months and six months ended 30 September 2006 is based on the unaudited consolidated profit attributable to equity shareholders of the Company of HK\$50,408,000 and HK\$93,103,000 respectively, as adjusted for the interest on convertible bonds of HK\$962,000 and HK\$1,913,000 respectively, divided by the weighted average number of 1,565,040,888 and 1,568,936,989 shares respectively in issue during the periods after adjusting for the effects of all dilutive potential shares.

The calculation of diluted earnings per share for the three months and six months ended 30 September 2005 is based on the unaudited consolidated profit attributable to equity shareholders of the Company of HK\$159,350,000 and HK\$197,456,000 respectively, as adjusted for the interest on convertible bonds of HK\$897,000 and HK\$1,785,000 respectively, divided by the weighted average number of 1,332,975,864 and 1,332,766,711 shares respectively in issue during the periods after adjusting for the effects of all dilutive potential shares.

9. Property, plant and equipment and construction in progress

The changes in property, plant and equipment and construction in progress for the six months ended 30 September 2006 are analysed as follows:

	Unaudited	
	Property, plant and equipment	Construction in progress
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2006	166,094	137,530
Exchange adjustments	2,461	2,544
Additions	5,263	868
Disposals	(812)	—
Transfer from construction in progress	4,092	(4,092)
Depreciation charge for the period	(8,125)	—
	<u>168,973</u>	<u>136,850</u>
As at 30 September 2006	<u>168,973</u>	<u>136,850</u>

10. Goodwill

The change in goodwill for the six months ended 30 September 2006 is mainly due to the acquisition of additional interest in the Cord Blood Bank business.

11. Interests in a jointly-controlled entity

The Group acquired a 50% equity interest in a PRC entity engaged in personal electronic goods distribution. The acquisition was approved by the Company's shareholders at the extraordinary general meeting held on 19 April 2006. On 2 June 2006, the PRC entity obtained the requisite approval and a revised business licence from the relevant PRC authorities.

12. Inventories

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Raw materials	2,462	3,027
Work in progress	4,819	4,826
Finished goods	32,250	25,034
	<hr/>	<hr/>
	39,531	32,887
	<hr/> <hr/>	<hr/> <hr/>

Included in finished goods are preservation costs related to cord blood stem cells of HK\$22,404,000 (31 March 2006: HK\$20,001,000). Preservation costs consist primarily of direct labour and materials including laboratory expenses, blood stem cells collection fees, and indirect costs including allocations of costs from relevant departments and facility depreciation.

13. Trade receivables

Details of the ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) are as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within 6 months	143,444	133,942
Between 7 to 12 months	427	9,452
Over 1 year	168	1,417
	<hr/>	<hr/>
	144,039	144,811
	<hr/> <hr/>	<hr/> <hr/>

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

14. Trade payables

The Group is normally granted credit terms of 1 to 6 months by its suppliers.

Details of the ageing analysis of trade payables are as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Due within 3 months or on demand	48,756	46,076

15. Other payables and accruals

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Amount due to a creditor of a subsidiary (<i>note i</i>)	24,715	48,945
Other payables and accruals (<i>note ii</i>)	21,411	61,591
	46,126	110,536

Notes:

- i. The amount is due to a creditor of Shanghai Baisuihang Pharmaceutical Co., Ltd. as at 30 September 2006. The amount is unsecured, non-interest bearing and repayable within one year.
- ii. Included in other payables and accruals of the Group as at 30 September 2006 is an accrual of directors' and employees' bonuses totaled HK\$2,688,000 (31 March 2006: HK\$35,000,000) and HK\$2,791,000 (31 March 2006: HK\$4,966,000), respectively.

16. Bank loans

As at 30 September 2006, the bank loans were repayable as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within 1 year or on demand	107,532	37,913
After 1 year but within 2 years	—	96,674
	<hr/> 107,532 <hr/>	<hr/> 134,587 <hr/>

As at 30 September 2006, the bank loans were secured as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Secured bank loans	98,532	96,674
Unsecured bank loan	9,000	37,913
	<hr/> 107,532 <hr/>	<hr/> 134,587 <hr/>

17. Convertible bonds

As at 30 September 2006, convertible bonds with a principal amount of HK\$116,000,000 remained outstanding. The coupon interest rate of the convertible bonds is 1% per annum and the convertible bonds will mature on 5 September 2007. The outstanding principal amount may be converted into ordinary shares of the Company at HK\$1.90 per share at any time prior to the date of maturity, subject to adjustments in certain circumstances.

The conversion shares will rank pari passu in all respects with the Company's existing shares in issue at the date of conversion.

18. Share capital

	Unaudited 30 September 2006		Audited 31 March 2006	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
Beginning of period/year	1,276,211	127,621	1,264,125	126,413
Issue of shares on placement	252,824	25,282	—	—
Shares issued under share option scheme	—	—	5,880	588
Issue of shares upon conversion of convertible bonds	—	—	4,210	421
Issue of shares for scrip dividend	—	—	1,996	199
Shares repurchased and cancelled	(12,668)	(1,266)	—	—
End of period/year	1,516,367	151,637	1,276,211	127,621

During the period, the movements of share capital were as follows:

- (a) On 13 April 2006, the Company entered into placing and subscription agreements to place 252,824,000 new ordinary shares at HK\$2.4 per share and the placing and subscription agreements were completed on 26 April 2006.
- (b) A total of 12,667,892 ordinary shares of HK\$0.1 each were repurchased by the Company during the period at prices ranging from HK\$1.89 to HK\$2.07 per share. The aggregate price paid by the Company for these repurchases, before share repurchase expenses, was HK\$24,797,000.

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value thereof. The premium paid for the repurchase of the shares and the related expenses was charged to the extent of HK\$23,625,000 to the share premium account and HK\$1,266,000 to the retained earnings account, as disclosed in the consolidated statement of changes in equity.

19. Commitments

(i) Capital commitments

Capital commitments outstanding as at 30 September 2006 not provided for in the financial statements were as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Contracted for	76,404	233,026

(ii) Operating lease commitments

As at 30 September 2006, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within 1 year	1,589	1,844

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

20. Post balance sheet event

On 9 November 2006, China Stem Cells Holdings Limited ("CSC"), a non-wholly owned subsidiary of the Group, entered into conditional subscription agreements with various investors to place new shares equivalent to 20% of the issued share capital of CSC for a total cash consideration of US\$20,001,300. The subscription is scheduled to be completed on 22 November 2006. Pursuant to the subscription agreements, the Group's interest in CSC is to be diluted from the current 67.8% to 56.5%, as enlarged by the placement shares.

MANAGEMENT DISCUSSION & ANALYSIS

Set out below are the financial highlights of the Group's operations for the reporting period:

	1H'2006 <i>HK\$'000</i>	1H'2005 <i>HK\$'000</i> <i>(Restated)</i>	Change
Turnover			
Medical Device	121,775	118,775	3%
Cord Blood Bank	29,981	12,892	133%
Chinese Herbal Medicine	4,257	4	106,325%
	<u>156,013</u>	<u>131,671</u>	18%
Operating profit/(loss) from continuing operations			
Medical Device	107,936	85,948	26%
Cord Blood Bank	12,930	3,762	244%
Chinese Herbal Medicine	(15,862)	(4,823)	229%
	<u>105,004</u>	<u>84,887</u>	24%
Operating profit from discontinued operation			
Tumour Treatment	<u>—</u>	<u>15,937</u>	N/A
Profit attributable to equity shareholders of the Company (excluded exceptional item)	<u>91,190</u>	<u>79,100</u>	15%

BUSINESS REVIEW

Overview

For the six months ended 30 September 2006, the Group maintained robust growth and continued to generate satisfactory returns for shareholders. Turnover rose 18% compared to the same period last year, while profit attributable to equity shareholders of the Company increased by 15%, excluding last year's one-off exceptional gain from the listing of an associate company.

The Group's business segments are at different stages of development but all show solid growth. The Medical Device Segment continues to provide an impressive and steady cash flow; the Chinese Herbal Medicine Segment has begun sales and demand for its key product is increasing; and the Cord Blood Bank Segment's revenue contribution is becoming more substantial as its growth accelerates. This spread of development across segments has resulted in an overall sustainable growth momentum for the Company.

For the period under review, the Cord Blood Bank Segment recorded particularly impressive year-on-year results, with an increase of 133% in turnover and 244% in operating profit. To expand the China presence of this business, the subsidiary that runs the Cord Blood Bank Segment recently closed a private placement, raising approximately US\$ 20 million. The positive interest from investors demonstrates their recognition of and confidence in the management and the potential of this business.

The Company remains the controlling shareholder of the Cord Blood Bank Segment following the private placement and we intend to continue with the expansion strategy that has made this business so successful.

The rapid growth of the Cord Blood Bank Segment is proof of the management team's judgment and skill. The management was able to identify the potential of a loss-making business, turn it around in a short time, and deliver high growth and high returns. This achievement follows the equally successful investment in China Medical Technologies, Inc., the partial disposal of which resulted in a huge gain for the Company.

The Group's success has also attracted international recognition. Business magazine *Forbes Asia* in October 2006 selected Golden Meditech as one of its 200 "Best Under a Billion" companies and newsweekly *Yazhou Zhoukan* (Asia Weekly) selected the Group as one of its 2006 "Chinese Business 500". Deloitte has also chosen the subsidiary that operates the Cord Blood Bank Segment, Beijing Jiachenhong Biological Technologies Co., Ltd., as one of the 50 fastest growing hi-tech companies in China and one of the 500 in the Asia-Pacific region.

Building on our success, we will continue to work hard toward our goal — to create value and enhance returns for our shareholders. The management is actively studying various suggestions by our shareholders and investors for the future direction of the Company, with the aim of integrating them into a strategy that will fully reflect the intrinsic value of the Group.

The Medical Device Segment

The Medical Device Segment is primarily engaged in the research and development, manufacture, sale and distribution of medical devices and personal healthcare monitoring products. Segment turnover in the first half of the year amounted to HK\$121,775,000, representing an increase of 3% over the same period last year. Total segment operating profit reached HK\$107,936,000, up 26% from the previous year.

Our flagship product, the Autologous Blood Recovery System ("ABRS"), is China's first locally developed blood recovery device. It recycles the blood a patient loses during surgery, avoiding the need for homologous blood transfusion. As clean blood for clinical use is always in high demand in China, the PRC government strongly supports the use of the ABRS. The system is now used in over a thousand hospitals in China and its popularity continues to increase. The management is confident that the ABRS will maintain its leading position in the field as we promote the system to the rest of China's hospitals.

The Group is also continuing to research and develop new medical devices and personal healthcare products to meet the demand from hospitals and the general public, and to create new sources of revenue for the business.

The Cord Blood Bank Segment

The Cord Blood Bank Segment provides separation, processing, examination and storage services for the umbilical cord blood stem cells of newborn babies. This business is taking off and has been performing exceptionally well, with turnover increasing by 133% to HK\$29,981,000 and operating profit up by 244% to HK\$12,930,000, compared to the same period last year.

In just three years, we have significantly increased our presence in Beijing. Currently, approximately 10% of Beijing's newborn babies have their umbilical cord blood stem cells stored at our facilities, evidence of our effective business model and first-rate marketing plan. Our plan is to promote cord blood banking services across the whole country and we have already made a start in Guangdong Province — one of the wealthiest provinces in China.

The awareness and acceptance of blood stem cell storage and applications is increasing in China due to extensive media coverage and the country's one-child policy. We believe that this business will continue to flourish, generating spectacular returns for the Group.

The Chinese Herbal Medicine Segment

The Chinese Herbal Medicine Segment is engaged in the development and manufacture of Chinese natural herbal medicines. Its proprietary Chinese medicine, TangHerb®, is clinically proven to be effective in boosting the immune systems of people infected with HIV and alleviating the common symptoms of AIDS. The Group currently supplies TangHerb® to the Chinese government and to charity organisations involved in the fight against the disease.

The Chinese government is actively educating the public about HIV and is committed to implementing measures to contain and treat AIDS. Through TangHerb®, we hope to contribute to this effort and continue to help the 650,000 people infected with HIV in China.

This Segment is at an early stage of commercialisation. However, turnover reached HK\$4,257,000 in the first half of the financial year and the turnover for the second quarter rose impressively by 68% compared to the first quarter. The management is confident the demand for TangHerb® will increase and that sales will improve further in the second half of the financial year.

FINANCIAL REVIEW

Turnover

For the first half of the financial year, the Group developed in line with the management's expectation, recording robust growth and satisfactory returns. Turnover was HK\$156,013,000, representing an increase of approximately 18% compared with the same period last year.

The growth of the Cord Blood Bank Segment has been remarkable. Revenue contributed by the Segment increased 133% compared to the same period last year, accounting for 19% of the Group's total turnover. As a result of the Cord Blood Bank Segment's strong growth, the contribution from the Medical Device Segment dropped to 78% of the Group's total turnover during this period. The management anticipates that the Cord Blood Bank and Chinese Herbal Medicine segments will account for a larger share of total turnover in the future.

Gross profit margin

The gross profit margins of both the Medical Device and Cord Blood Bank segments remained high, at a similar level to last year. However, the start-up costs and the amortisation of intangible assets of the Chinese Herbal Medicine Segment temporarily lowered the Group's overall gross profit margin to 64% for the period under review.

Profit attributable to equity shareholders of the Company

The Group continued to maintain its earnings momentum, with profit attributable to equity shareholders amounting to HK\$91,190,000 during the period under review. Following the partial disposal of our interest in China Medical Technologies, Inc. ("CMED") in March 2006, we no longer recognise an earnings contribution from our Tumour Treatment Division. Compared to the corresponding period in 2005, profit attributable to equity shareholders of the Company rose by 15%, excluding the one-off exceptional gain resulting from the deemed disposal of CMED. The increase in our earnings was boosted by the organic growth across all operating units, the maiden profit contribution from our personal healthcare devices distribution network and an increase in interest income.

Selling and administrative expenses

For the six months ended 30 September 2006, the selling and administrative expenses amounted to HK\$38,194,000. The increase was largely attributable to the increase in business activities across all operating units. The Group will continue to adopt prudent cost control measures and refine its cost structure through continuous monitoring.

Liquidity and financial resources

During the period under review, the Group maintained a sound financial position and generated an operating cash inflow of HK\$302,356,000. As at 30 September 2006, the Group's cash and bank balances amounted to HK\$797,097,000 (31 March 2006: HK\$481,666,000). Total interest-bearing liabilities stood at HK\$221,140,000 (31 March 2006: HK\$246,864,000), comprising bank borrowings and the three-year convertible bonds issued in September 2004.

The Group's total current assets and total assets as at 30 September 2006 totalled HK\$1,016,924,000 and HK\$2,988,129,000 respectively (31 March 2006: HK\$949,798,000 and HK\$2,526,813,000 respectively).

As at 30 September 2006, the total interest bearing debt to total asset ratio, excluding the convertible bonds, was 3.6% (31 March 2006: 5.3%), and, including the convertible bonds, was 7.4% (31 March 2006: 9.8%).

The Group will continue to maintain an appropriate capital structure to maximise its efficiency.

Charges on Group assets

As at 30 September 2006, the total book value of the assets charged for bank loans was HK\$97,843,000 (31 March 2006: HK\$98,558,000).

Exchange rate risk

The Group's sales and purchases are mainly transacted in Renminbi, and the majority of the Group's assets and liabilities are also denominated in Renminbi. The management believes the recent revaluations of the Renminbi have been beneficial to the Group. Apart from the bank deposits in U.S. dollars, the Group was not exposed to any major currency exchange risk. Therefore, no hedging arrangements were made during the reporting period.

Treasury policies

The Group adopts prudent treasury policies. To reduce exposure to credit risk, the Group performs ongoing credit evaluations of its customers. To manage liquidity risk, management closely monitors the position to ensure the liquidity structure of the Group meets its funding requirements.

Contingent liabilities

As at 30 September 2006, the Group had no contingent liabilities.

Employees

As at 30 September 2006, the Group had 455 full-time employees in Hong Kong and the PRC. During the period under review, the Group incurred staff costs (including directors' emoluments and Mandatory Provident Funds) of HK\$13,268,000. The Group believes that its people are its most important asset. To express its gratitude for their contribution and to provide further incentives, staff members who demonstrate outstanding performance are rewarded with discretionary bonuses and share options.

Prospects

The Group's businesses all occupy pre-eminent positions in their sectors and management is convinced that their prospects for growth are some of the strongest in the industry. We are confident the Group will deliver even better results in the second half of the year.

The Group will continue to use diversification as its main development strategy — expanding prudently by investing in hi-tech medical projects that have substantial growth potential, high entry barriers, and the ability to create synergy effects with our existing businesses. Our past results have already proven the success of this strategy and the efficiency of the Group's management. We will continue to work hard so that investors can benefit from the high growth in China's medical and healthcare industry through investing in Golden Meditech.

In order to fully reflect the real value of each business segment, the management will, based on the success of China Medical Technologies, Inc., actively explore various options to enhance the intrinsic value for the benefit of our shareholders.

DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 September 2006, 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 and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Interests of the Directors in shares and underlying shares of the Company — Long positions/(Short position)

Name of Directors	Capacity and nature of interests	Number of ordinary shares of HK0.1 each	Number of underlying shares held under equity derivatives	Total interests (Short position)	Approximate percentage of the Company's issued share capital
Mr. KAM Yuen	Interest of controlled corporation	433,916,000 ⁽¹⁾	—	433,916,000	28.62
		(61,832,000) ⁽²⁾	—	(61,832,000)	(4.08)
	Beneficial owner	—	63,206,245 ⁽³⁾	63,206,245	4.17
Mr. LU Tian Long	Beneficial owner	—	400,000 ⁽³⁾	400,000	0.03
Ms. ZHENG Ting	Beneficial owner	—	2,000,000 ⁽³⁾	2,000,000	0.13

Notes:

- (1) Mr. KAM Yuen is the sole beneficial shareholder of the issued share capital of Bio Garden Inc. ("Bio Garden"), a company incorporated in the British Virgin Islands ("BVI") which owned 433,916,000 shares of the Company as at 30 September 2006.
- (2) Mr. KAM Yuen was deemed under the SFO to have a short position in the shares of the Company by virtue of his interest in Bio Garden.
- (3) 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.

(b) **Interests of the Directors in shares and underlying shares of China Stem Cells Holdings Limited (“CSC”), a subsidiary of the Company — Long positions**

Name of Directors	Capacity and nature of interests	Number of underlying ordinary shares of US\$1 each held under equity derivatives	Total interests	Approximate percentage of the issued share capital of CSC
Mr. KAM Yuen	Beneficial owner	10,000	10,000	0.83
Ms. ZHENG Ting	Beneficial owner	30,000	30,000	2.48

Note:

These interests represent the Directors' beneficial interests in the underlying shares in respect of share options granted by CSC to the Directors as beneficial owners, details of which are set out in the section headed “Share Option Schemes” below.

Save as disclosed above, as at 30 September 2006, none of the Directors or 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 were 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

(a) Share option schemes adopted by the Company

- Principal terms of the share option schemes of the Company are set out in note 33 to the financial statements as included in the annual report of the Company for the year ended 31 March 2006.
- A summary of movements of share options under the share option schemes of the Company for the six months ended 30 September 2006 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 2006	Number of underlying shares in respect of which share options were outstanding as at 30 Sept. 2006	Exercise price HK\$
Mr. KAM Yuen	30 March 2005 ⁽¹⁾	63,206,245	63,206,245	1.76
Mr. LU Tian Long	4 March 2005 ⁽²⁾	400,000	400,000	1.60
Ms. ZHENG Ting	4 March 2005 ⁽²⁾	2,000,000	2,000,000	1.60
Full-time employees (other than Directors)	4 March 2005 ⁽²⁾	11,970,000	11,970,000	1.60
		77,576,245	77,576,245	

Notes:

- (1) The share options are exercisable as to:
 - (i) up to 20% after 6 months from the date of grant;
 - (ii) up to 60% after 18 months from the date of grant;
 - (iii) up to 100% 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 after 3 months from the date of grant and will expire at the close of business on 28 February 2015.
- (3) No share options granted under the share option schemes adopted by the Company on 30 July 2002 and 30 March 2005 respectively were exercised, cancelled or lapsed during the period ended 30 September 2006.

(b) Share option scheme adopted by CSC

1. The Company's shareholders approved at the extraordinary general meeting held on 21 September 2006 the adoption of a share option scheme by CSC (the "CSC Scheme"). The CSC Scheme became effective on 21 September 2006 (the "Effective Date").

2. A summary of movements of share options under the CSC Schemes for the six months ended 30 September 2006 is as follows:

Name of Directors and employees	Date of grant	Number of underlying shares in respect of which share options were granted during the period	Number of underlying shares in respect of which share options were outstanding as at 30 September 2006	Exercise price HK\$
Mr. KAM Yuen	21 September 2006 ⁽¹⁾	10,000	10,000	450
Ms. ZHENG Ting	21 September 2006 ⁽¹⁾	30,000	30,000	450
Full-time employees (other than Directors)	21 September 2006 ⁽¹⁾	60,000	60,000	450
		100,000	100,000	

Notes:

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 September 2006, the interests and short positions of the shareholders (not being Directors or chief executives of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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) Substantial shareholder — Long position/(Short position)

Name	Capacity and nature of interest	Number of issued shares	Approximate percentage of the Company's issued share capital
Bio Garden ⁽¹⁾	Beneficial owner	433,916,000 (61,832,000)	28.62 (4.08)
Mr. Kent C. McCarthy ⁽²⁾	Interest of controlled corporation	277,570,735	18.30
Jayhawk China Fund (Cayman), Ltd. ⁽²⁾	Investment manager	233,798,735	15.42

Notes:

- (1) Bio Garden is an investment holding company incorporated in the BVI. Mr. KAM Yuen was the sole beneficial shareholder of the entire issued share capital of Bio Garden as at 30 September 2006.
- (2) The interests disclosed by Mr. Kent C. McCarthy include 233,798,735 shares of the Company held by Jayhawk China Fund (Cayman), Ltd.

(b) **Long position 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	Number of issued shares	Approximate percentage of the Company's issued share capital
OZ Management, L.L.C.	Investment manager	113,000,000	7.45

Save as disclosed above, as at 30 September 2006, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the management 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 conflicts of interest with the Group.

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

During the six months ended 30 September 2006, the Company repurchased 12,667,892 shares on the Stock Exchange as follows:

Month of purchase	Number of shares repurchased	Price per share		Aggregate price paid
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
August 2006	5,748,000	2.07	1.94	11,646,000
September 2006	6,919,892	1.93	1.89	13,151,000
	<u>12,667,892</u>			<u>24,797,000</u>

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value thereof. The premium paid for the repurchase of the shares and the related expenses were charged to the extent of HK\$23,625,000 to the share premium account and HK\$1,266,000 to the retained earnings account. Further details of these repurchases are set out in note 18 to the consolidated interim financial statements.

The repurchases were made for the benefit of the shareholders as a whole as they enhanced the earnings per share of the Company.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2006.

SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with, or they were not aware of any non-compliance with the required standards of dealings.

REPORT ON CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code Provisions”) as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2006, except for A.2.1. The following summarises the requirements under the relevant Code Provisions and the Company’s reasons for such deviations:

Code Provision A.2.1

Under Code Provision A.2.1, 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, 3 independent non-executive Directors who bring strong independent judgement, knowledge and experience to the Board’s deliberations. The Board believes that this structure is conducive to strong and consistent leadership for the Group, enabling it to make and implement decisions promptly and efficiently.

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

AUDIT COMMITTEE

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

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

The audit committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial reporting matters with the Directors, including a review of the unaudited interim report for the six months ended 30 September 2006.

By order of the Board

KAM Yuen
CHAIRMAN

HONG KONG, 10 November 2006

GLOSSARY

Terms used	Brief description
<i>General</i>	
Group	Golden Meditech Company Limited, together with its subsidiaries.
Company	Golden Meditech Company Limited.
PRC/China	The People's Republic of China, excluding the Hong Kong and Macau Special Administrative Regions of the PRC, and Taiwan.
Subsidiary	A company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.
Director(s)	The director(s) of the Company.
GEM	The Growth Enterprise Market operated by the Stock Exchange.
HK\$	The Hong Kong dollar, the currency of Hong Kong.
RMB	Renminbi, the currency of China.
SFDA	The State Food and Drug Administration of China.
Shares	Ordinary shares of HK\$0.10 each in the capital of the Company.
Stock Exchange	The Stock Exchange of Hong Kong Limited.
<i>Medical Device Segment</i>	
Autologous Blood Recovery System	A hi-tech medical device that collects, filtrates, separates, cleanses, and re-infuses a patient's own blood lost during an accident or operation, replacing traditional blood transfusion. Its main components are the ABRS Machine and the Disposable Chambers.

Terms used	Brief description
ABRS Machine	The machine of the Autologous Blood Recovery System, having different models for hospital and outdoor use.
Disposable Chamber	The disposable blood processing chamber and related accessories. These are used once per operation for blood processing and recycling, and cannot be reused.

Cord Blood Bank Segment

Blood stem cells/ Haematopoietic stem cells	Stem cells from which all haematopoietic and immune cell types are derived. They can develop into red blood cells, white blood cells and platelets, are self-regenerative and have a multi-differentiation and homing tendency (i.e. oriented migration to haematopoietic tissues or organs). They are found mainly in bone marrow, umbilical cord blood and peripheral blood.
Cord blood	The blood left in the umbilical cord and placenta after the umbilical cord of a newborn baby is clamped.
Cord blood bank	A professional healthcare institution offering extraction and banking services for cord blood haematopoietic stem cells and answering patients' enquiries on transplant matching.
Storage of blood stem cells	Cryopreserving, or preserving by freezing, blood stem cells in liquid nitrogen at -196°C for a long period of time.

Chinese Herbal Medicine Segment

TangHerb®	First proprietary Chinese herbal medicine approved by the SFDA to alleviate AIDS symptoms.
CD4 cell	Also known as a T-cell, a key immune cell of the immune system.