



GOLDEN MEDITECH COMPANY LIMITED
金衛醫療科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 801)

Interim Report 09/10



Enhancing Shareholders' Value



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Corporate Profile

Golden Meditech Company Limited (the “Company” or “Golden Meditech”; stock code: 801), together with its subsidiaries (collectively referred to as the “Group”), is a leading healthcare corporation in China. Golden Meditech operates an integrated portfolio of healthcare businesses including the manufacturing of medical devices, the provision of healthcare services and the production of natural herbal medicines. It has gained dominant market positions in all business segments. As the first healthcare company listed outside Mainland China, the Company debuted on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong in December 2001 and transferred its listing to the Main Board in June 2009. The Group’s mission is to contribute to people’s health and welfare through the development and generalisation of advanced medical technology, and to create value for its shareholders.

The Medical Device Segment is primarily engaged in the development, manufacture, sales and distribution of blood-related medical apparatus and personal health monitoring devices. The segment has focused on the development of technologies for blood recovery, purification, treatment and preservation during surgery. The segment’s products include the Autologous Blood Recovery System, the first of its kind to obtain the approval of State Food and Drug Administration (“SFDA”) for manufacture in China, the Plasma Exchange System and the Accelerated Thermostatic Infusion Pump. The segment is engaged in the development of pioneering medical equipment in collaboration with a number of research institutes in China, and the development of personal health monitoring devices to improve people’s health and quality of life. The segment also partners with leading overseas medical device manufacturers to develop China market.

The Healthcare Service Segment includes hospital management and cord blood bank operations. The Hospital Management operation includes the first nationwide hospital management license granted to a foreign enterprise and management of the largest private hematologist hospitals in China. The Group strives to develop hospital management businesses that are of unprecedented potential amidst China’s current medical reform. The Cord Blood Bank Division – China Cord Blood Corporation (NYSE ticker symbol: CO) provides collection, testing, processing, and storage services for blood stem cells extracted from the umbilical cord blood of newborn babies. As the first and largest private cord blood bank operator in China, the division has exclusive operations in Beijing and Guangdong Province and is also the single largest shareholder of Cordlife Ltd, Southeast Asia’s largest cord blood bank operator.

The Natural Herbal Medicine Segment is engaged in the development, manufacture and sales of natural herbal medicines in China. It also owns a retail chain for natural herbal healthcare products in England and Ireland.

The Strategic Investment Segment includes a 37.8% equity interest in Union China National Medical Equipment Co. Ltd., the largest medical device distributor in China and a 30% equity interest in FunTalk China Holdings Limited (formerly known as Pypo China Holdings Limited; NASDAQ ticker symbol: FTLK), a leading nationwide fast-moving consumer electronics distributor and retailer.



Management Discussion and Analysis

OVERALL BUSINESS REVIEW

In the first half of the financial year 2009/10, Golden Meditech Company Limited (“Golden Meditech” or “the Group”) implemented strategic initiatives aimed at strengthening its presence in the China market and preparing for future growth. In these efforts, the Group was supported by benign business conditions in China, with economic growth continuing to tick over at a robust pace despite the adverse global economic environment thanks to massive fiscal stimulus. Moreover, long-awaited medical reform in China finally arrived in 2009, opening up once-in-a-lifetime opportunities for the whole healthcare industry.

Amongst the key milestones reached by the Group during the period was the successful listing of the cord blood bank services division China Cord Blood Corporation (CCBC) on the New York Stock Exchange (NYSE) on November 19, 2009. In addition, the Group’s strategic investment project FunTalk China Holdings Limited (formerly known as Pypo China Holdings Limited) completed its listing transfer to the NASDAQ stock exchange on December 17, 2009.

The presence of both China Cord Blood Corporation and FunTalk China Holdings Limited on major US stock exchanges not only helps unlock value for the Group’s shareholders, but also allows the two entities to tap capital markets independently to catalyze their future expansion. These successful listings also serve as testament to the effectiveness of the Group’s investment approach and strong execution capabilities.

During the period under review, the Group’s Medical Device Segment made a tremendous effort to deepen penetration of its ABRS (Autologous Blood Recovery System) products into hospitals at all levels, and promote two new medical device products: the Plasma Exchange System and the Accelerated Thrombolytic Infusion Pump. The Segment also entered into an agreement to form a joint venture with the world leading blood collection and separation technologies company, Fenwal Inc., to enhance its focus on the China market. The Group’s management believes these actions lay solid foundations for the future growth of the medical device businesses.

Within the Healthcare Service Segment, which includes hospital management and services operations and the cord blood bank businesses, the Group completed the acquisition of hospital management operations in June 2009, as part of a drive to unearth the potential of China’s huge under-developed hospital management services market. During the period under review, the hospital management business unit performed satisfactorily, generating revenues in line the management’s expectation.

In the first half of the financial year, the Group’s revenue fell by 10.7% year-on-year to HK\$131,593,000. If excluding the non-cash and non-operating items, i.e. employees’ share option expense and items captured under other net income/(loss), the Group’s profit for the period and profits attributable to equity shareholders stood at HK\$95,627,000 and HK\$84,207,000 respectively.

Management Discussion and Analysis

BUSINESS SEGMENT REVIEW

Medical Device Segment

ABRS consumable sales grew by 3.6% in the first half of this year, totalling HK\$39,118,000 and accounting for 34% of the Medical Device Segment's total turnover. In view of the potential opportunities presented by medical reform in China, the Group made the strategic decision to lower the selling price of its ABRS products by 20% in order to lock in more hospital customers. During the period under review, the Medical Device Segment recorded a total turnover of HK\$114,894,000, down 22% on a year-on-year basis. The decline was mostly due to the price cut in ABRS products, given that ABRS products account for a significant proportion of the Segment's turnover. The Segment's operating profits of HK\$67,947,000 was generated upon a lucrative operating margin of 59.1%.

Laying the groundwork for sustainable long-term growth, the Group began the marketing of two new products, which are the fruits of the Group's in-house research and development: the 3000H Plasma Exchange System and the HS-9000 Accelerated Thermostatic Infusion Pump. The management believes these new products will generate revenue and profit contributions starting from the second half of this financial year.

During the period under review, the Group reached an agreement with Fenwal Inc. a global leader in blood collection and separation technologies, to form a joint venture to explore business opportunities in China's blood collection and transfusion sector. The joint venture will leverage both parties' resources, leadership and expertise to tailor products for China's blood collection and transfusion market.

Healthcare Service Segment – Cord Blood Bank Services Debuted on NYSE and Hospital Management Performance in Line with Expectation

The Healthcare Service Segment, which includes hospital management and service operations and the cord blood bank services, is one of the Group's core businesses. During the period under review, the Group's cord blood bank operation, China Cord Blood Corporation (CCBC), which is the largest cord blood bank operator in China, was listed on New York Stock Exchange (NYSE) with ticker symbol "CO". The management believes that the successful listing of CCBC on the NYSE will not only help to unlock value in the underlying business, but also facilitate the business's expansion in China and the pan-Asian region by providing greater access to capital through financial markets. Currently, the Group owns 44% of CCBC. CCBC's market capitalization was approximately US\$400 million on November 19, 2009.

During the period under review, the Healthcare Service Segment reached another milestone by completing the acquisition of a nationwide hospital management company. This strategic expansion into key areas of the healthcare value chain enables the Group to strengthen its presence in China's burgeoning hospital service market. The Group now boasts two of China's leading haematologist hospitals under its management.

Management Discussion and Analysis

The management is confident medical reform will be favourable to the development of the hospital market and is positioning the Segment to exploit the emerging opportunities. As more and more reform measures are put into place, government expenditure and investment in healthcare is expected to increase, and the coverage of the social medical insurance network will expand. There are already pilot reform programs among state-owned hospitals and efforts to reconfigure hospital pricing systems.

To accelerate its business development, the hospital management unit raised US\$28 million (equivalent to HK\$217 million) in private equity financing by issuing senior 5% redeemable convertible notes due in 2014. The proceeds will be used for the development of the hospital management business in China and to position the unit to seize any new business opportunities.

For the period under review, the Healthcare Service Segment reported a total turnover of HK\$80,973,000, including the revenue of HK\$64,274,000 from CCBC for the first quarter of this financial year and the maiden revenue of HK\$16,699,000 from the hospital management business starting from the second quarter of this financial year. The Segment's operating profits (continuing operation) was HK\$14,355,000.

In compliance with Hong Kong GAAP (Generally Accepted Accounting Principles), the Group classified CCBC as an associate company after its listing in the United States. The group started equity accounting for the financial performance of CCBC from June 30, 2009.

Natural Herbal Medicine Segment

The Natural Herbal Medicine Segment includes research and development, production and sales of natural herbal medicines in China and retail chains of natural herbal medicines in Europe. Since the global financial crisis receded, the management will look to drive the Segment's geographical expansion into new European markets to maintain its steady financial performance.

Strategic Investment – NASDAQ Listing of FunTalk China Holding Limited (formerly known as Pypoc China Holding Limited)

On December 17, 2009, the Group successfully listed FunTalk China Holding Limited (FunTalk China), which is one of the largest fast-moving consumer electronics distributors and retailers in China, on the NASDAQ stock exchange. The Group now holds 15 million shares in FunTalk China. Based on the issuing price of US\$7 per share, the Group's holding in FunTalk China is valued at US\$105 million.

Issuance of Convertible Bonds and Warrants

During the period under review, the Group issued US\$25.2 million of 3-percent convertible bonds due in 2014 with warrants to strategic investors who share the Group's focus on long-term business development and sustainable profitability. The funds raised will be used by the Group as working capital and for business development in China.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

For the six months ended 30 September, 2009, the Group's key business segments reported a combined turnover of HK\$131,593,000, representing a decline of 10.7% from the same period last year. This revenue fall is mainly attributable to the management's strategic decision to lower the selling prices of the Group's ABRS products by approximately 20% at the end of 2008 in order to increase their penetration into Chinese hospitals and position the Group to benefit from opportunities emerging from medical reform.

Following the listing of the cord blood bank service division China Cord Blood Corporation (CCBC) in June 2009, the business unit's revenue is no longer consolidated into the Group's total turnover. Notwithstanding, CCBC reported 48.7% year-on-year revenue growth and 39.9% year-on-year operating profit growth (compiled in accordance with U.S. GAAP) for the first half of its financial year ended 30 September, 2009.

The Medical Device Segment remains the Group's largest revenue contributor, accounting for 87.3% of the total turnover. Encouragingly, revenue generated by the Healthcare Service Segment reached HK\$16,699,000, namely the revenue contributed by the newly acquired hospital management operations starting from the second quarter of this financial year.

Gross profit margin

The Group's overall gross profit margin came to 67.4%, contracting by 2.2 percentage points compared with the same period a year ago. The margin contraction was mainly attributable to the Group's adoption of an aggressive pricing strategy to increase the penetration of its products into hospitals at all levels.

Selling and administrative expenses

Total selling and administrative expenses of the Group for the first half of this year was HK\$59,273,000, representing approximately 45% of the Group's total revenue. Excluding the employees' share option expense, selling and administrative expenses represented 30.4% of the Group's total revenue. The management is committed to taking measures to control such expenses and keep them at a reasonable level.

Corporate Income Tax

The Group's corporate income tax expenses were HK\$12,712,000 in the first half of this financial year, down 32% compared with the same period last year.

Profits attributable to equity shareholders of the Group

In the first half of this year, profit attributable to equity shareholders of the Group (excluding non-cash derivative instrument expenses arising from the issuance of convertible bonds and employees' share option expense during the period under review) was HK\$105,624,000.

Management Discussion and Analysis

Liquidity and financial resources

The Group has always maintained a sound financial position. As of September 30, 2009, the Group's cash and bank balances stood at HK\$762,975,000 (March 31, 2009: HK\$811,318,000). Total interest-bearing liabilities amounted to HK\$580,874,000 (March 31, 2009: HK\$345,704,000), comprising mainly of bank borrowings and convertible bonds.

The Group's total current assets and total assets as of September 30, 2009 totalled HK\$1,035,930,000 and HK\$3,999,358,000 respectively (March 31, 2009: HK\$1,222,081,000 and HK\$4,113,852,000, respectively).

As of September 30, 2009, the Group's total interest-bearing debt to total asset ratio came to 14.5% (March 31, 2009: 8.4%). The management will strive to maintain the capital structure at optimal efficiency.

Treasury policies

The Group adopts prudent treasury policies. On the one hand, it performs regular credit evaluations of its customers to reduce exposure to credit risk. On the other, the management closely monitors liquidity risks to ensure the liquidity structure of the Group continues to be adequate to meet its funding requirements.

Employees

The Group has been increasing its head count, recruiting talented people to drive its business expansions. As of September 30, 2009, the Group had 781 full-time employees in Hong Kong and the PRC. For the first half of the financial year, the Group (excluding associated companies) incurred staff costs (including directors' emoluments but excluding employees' share option expense) of HK\$13,808,000.

Prospects

China's fast-growing economy, positive regulatory environment (including government initiatives to increase household income and stimulate domestic demand) and ongoing medical reform represent structural growth opportunities for the Group. As a well-established public healthcare firm, the Group is in a prime position to capture these opportunities, supported by a dedicated, experienced management team with strong local market knowledge, investment track record, and execution capabilities.

The management believes the continued success of the Group will be tied to these growth opportunities, in particular the development of the medical device and healthcare services operations, as well as efforts to further solidify the Group's core competences and market presence in key business areas. With new products and services being rolled out regularly, the management is confident that significant synergies will continue to be achieved across the Group's various business divisions, ultimately raising value for the Group's shareholders.

Consolidated Income Statement

(Expressed in Hong Kong dollars)

		Unaudited For the six months ended 30 September	
	Note	2009 \$'000	2008 \$'000
Turnover	3	131,593	147,293
Cost of sales		(42,876)	(44,748)
Gross profit		88,717	102,545
Other revenue	5	19,261	26,026
Other net (loss)/income	6	(16,830)	49,215
Selling expenses		(2,994)	(4,335)
Administrative expenses		(56,279)	(33,120)
Profit from operations		31,875	140,331
Finance costs	7(a)	(4,744)	(11,746)
Share of profits/(losses) less losses of associates		2,331	(6,240)
Share of profits of jointly controlled entities		21,320	26,783
Profit before taxation	7	50,782	149,128
Income tax	8(a)	(12,712)	(18,690)
Profit for the year from continuing operations		38,070	130,438
Discontinued operation			
Profit for the period from discontinued operation	10	21,489	34,122
Profit for the period		59,559	164,560
Attributable to:			
Equity shareholders of the Company		48,139	146,676
Minority interests		11,420	17,884
Profit for the period		59,559	164,560

Consolidated Income Statement (Continued)

(Expressed in Hong Kong dollars)

		Unaudited For the six months ended 30 September	
	Note	2009	2008
Earnings per share	12		
Basic (in cents)			
– From continuing and discontinued operations		3.02	9.52
– From continuing operations		2.39	8.47
– From discontinued operation		0.63	1.05
Diluted (in cents)			
– From continuing and discontinued operations		3.00	9.34
– From continuing operations		2.38	8.34
– From discontinued operation		0.62	1.00

The notes on pages 16 to 38 form part of these interim financial statements.

Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

		Unaudited For the six months ended 30 September	
	Note	2009 \$'000	2008 \$'000
PROFIT FOR THE PERIOD		59,559	164,560
Exchange differences on translation of financial statements of companies outside of Hong Kong		4,039	24,018
Disposal of subsidiaries		5,395	—
Available-for-sale securities: net movement in fair value reserve	9	—	(183,227)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		9,434	(159,209)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		68,993	5,351
Attributable to:			
Equity holders of the Company		57,573	(8,206)
Minority interests		11,420	13,557
		68,993	5,351

Consolidated Statement of Financial Position

(Expressed in Hong Kong dollars)

	Note	Unaudited 30 September 2009		Audited 31 March 2009	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets	13				
– Property, plant and equipment			177,019		410,479
– Interests in leasehold land held for own use under operating leases			4,243		4,290
			181,262		414,769
Intangible assets			789,146		84,079
Goodwill			506		67,169
Interests in associates			965,482		518,715
Interests in jointly controlled entities	14		734,246		712,639
Available-for-sale equity securities			113,614		143,260
Other financial assets	15		177,257		944,346
Deferred tax assets			1,915		6,794
			2,963,428		2,891,771
Current assets					
Other investments			73,564		50,585
Inventories	16		18,861		58,121
Trade receivables	17		82,924		209,685
Other receivables, deposits and prepayments			94,138		88,117
Current taxation recoverable			3,468		4,255
Cash and bank balances			762,975		811,318
			1,035,930		1,222,081
Current liabilities					
Trade payables	18		65,763		39,524
Other payables and accruals	19		86,216		67,599
Bank loans	20		113,340		—
Obligations under a finance lease	21		901		877
Current taxation payable			4,176		4,892
Amounts due to associates			—		15,616
			270,396		128,508
Net current assets			765,534		1,093,573
Total assets less current liabilities			3,728,962		3,985,344

Consolidated Statement of Financial Position (Continued)

(Expressed in Hong Kong dollars)

	Note	Unaudited 30 September 2009		Audited 31 March 2009	
		\$'000	\$'000	\$'000	\$'000
Non-current liabilities					
Deferred income		—		84,039	
Other non-current liabilities		402		15,494	
Bank loans	20	232,727		345,704	
Obligations under a finance lease	21	2,129		2,585	
Convertible Bonds	22	234,807		—	
			470,065		447,822
NET ASSETS			3,258,897		3,537,522
CAPITAL AND RESERVES					
Share capital	23		159,392		159,392
Reserves			3,097,779		3,020,968
Total equity attributable to equity shareholders of the Company			3,257,171		3,180,360
Minority interests			1,726		357,162
TOTAL EQUITY			3,258,897		3,537,522

The notes on pages 16 to 38 form part of these interim financial statements.

Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

Unaudited												
Attributable to equity shareholders of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Merger reserve	Exchange reserve	Surplus reserve	Fair value reserve	Other reserve	Retained profits	Total	Minority interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
Total comprehensive income for the period	—	—	—	—	—	6,213	—	3,221	—	48,139	57,573	11,420
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(366,856)
Equity-settled share base transaction	—	—	—	19,238	—	—	—	—	—	—	19,238	—
At 30 September 2009	159,392	1,051,485	5,868	32,626	54,193	225,345	81,130	1,844	(4,670)	1,649,958	3,257,171	1,726

Unaudited												
Attributable to equity shareholders of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Merger reserve	Exchange reserve	Surplus reserve	Fair value reserve	Other reserve	Retained profits	Total	Minority interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2008	154,352	1,018,875	4,908	13,388	54,193	207,126	78,828	157,906	(4,670)	1,547,992	3,232,898	320,066
Total comprehensive income for the period	—	—	—	—	—	18,673	—	(173,555)	—	146,676	(8,206)	13,557
Equity-settled share-based transaction	—	—	—	66	—	—	—	—	—	—	66	66
Shares repurchased and cancelled	(658)	(14,780)	658	—	—	—	—	—	—	(658)	(15,438)	—
At 30 September 2008	153,694	1,004,095	5,566	13,454	54,193	225,799	78,828	(15,649)	(4,670)	1,694,010	3,209,320	333,689

Condensed Consolidated Statement of Cash Flows

(Expressed in Hong Kong dollars)

	Unaudited For the six months ended 30 September	
	2009 \$'000	2008 \$'000
Net cash generated from operating activities	85,120	47,091
Net cash used in investing activities	(376,428)	(237,121)
Net cash generated from/(used in) financing activities	242,247	(7,284)
Net decrease in cash and cash equivalents	(49,061)	(197,314)
Cash and cash equivalents at beginning of the period	811,318	997,747
Effect of foreign exchange rate changes	718	(850)
Cash and cash equivalents at end of the period	762,975	799,583

The notes on pages 16 to 38 form part of these interim financial statements.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BACKGROUND

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

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

2 BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Preparation

The interim financial results have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

(b) Principal Accounting Policies

The interim financial results have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations issued by the HKICPA which are effective for the financial year beginning on 1 January 2009. Except as described below, the accounting policies used in the interim financial information are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 March 2009, included in the annual report of the Group for the year ended 31 March 2009. The adoption of these new standards has resulted in the following changes. The adoption of the other new and revised standards, amendments and interpretations had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented.

Presentation of financial statements

In the current period, the Group has adopted HKAS 1 (Revised) “Presentation of financial statements” which has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The adoption of HKAS 1 (Revised), however, has no impact on the reported results or financial position of the Group.

Segment information

In the current period, the Group has adopted Hong Kong Financial Reporting Standard (“HKFRS”) 8 “Operating segments”. HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group’s chief operating decision maker. HKFRS 8 replaces HKAS 14 “Segment reporting” which required an entity to identify two sets of segments (business and geographical). The adoption of HKFRS 8 has no impact on the measures of the segment results and segment assets and has not resulted in redesignation of the Group’s reportable segments.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Principal Accounting Policies (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment of HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemption for first-time adopters ³
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction ³
HKFRS 3 (Revised)	Business combinations ¹
HK(IFRIC *) - INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) - INT 18	Transfers of assets from customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for transfers on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control of a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

3 TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale of blood related medical devices ("Medical Devices") and related accessories ("Consumables"), the provision of examination, processing, separation and storage services and application-related services for blood stem cells ("Cord Blood Bank") and the provision of hospital management service ("Hospital Management"). The Group's acquisition of the hospital management and consultancy businesses in China as first announced by the Company on 24 June 2008 was completed in June 2009.

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

Turnover recognised during the year is analysed as follows:

	Unaudited For the six months ended 30 September	
	2009 \$'000	2008 \$'000
Continuing operations		
Sales of Medical Devices	75,776	109,544
Sales of Consumables	39,118	37,749
Hospital Management service income	16,699	—
	131,593	147,293
Discontinued operation (note 10)		
Cord Blood Bank service income	64,274	93,816
	195,867	241,109

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

4 SEGMENT REPORTING

Business segments

The Group comprises the following main business segments:

- (i) Medical Device segment: the development, manufacture and sale of medical devices.
- (ii) Hospital Management segment: the provision of hospital management services.
- (iii) Cord Blood Bank segment: the provision of blood stem cell examination, processing, separation and storage services and application-related services.

As disclosed in note 10, the Cord Blood Bank segment was discontinued during the period ended 30 September 2009.

The following table presents revenue and profit information for the Group's business segments for the periods ended 30 September 2009 and 2008.

	Continuing operations				Discontinued operation					
	Medical Device		Hospital Management		Cord Blood Bank		Inter-segment elimination		Consolidated	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September		30 September		30 September	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	114,894	147,293	16,699	—	64,274	93,816	—	—	195,867	241,109
Segment results (note)	67,947	98,772	14,355	—	27,374	41,967	—	—	109,676	140,739
Unallocated operating income and expenses									(50,427)	41,559
Profit from operations									59,249	182,298
Finance costs									(5,265)	(11,746)
Share of profits less losses of associates and jointly controlled entities									23,651	20,543
Income tax									(18,076)	(26,535)
Profit after taxation (note)									59,559	164,560

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER REVENUE

	Unaudited For the six months ended 30 September	
	2009 \$'000	2008 \$'000
Continuing operations		
Interest income on financial assets not at fair value through profit or loss	11,885	15,406
VAT refunds	6,169	8,998
Dividend income from listed securities	2	1,611
Sundry income	1,205	11
	19,261	26,026
Discontinued operation (note 10)		
Interest income on financial assets not at fair value through profit or loss	1,168	2,147
	20,429	28,173

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 based on sales of software products embedded in the Medical Devices.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

6 OTHER NET (LOSS)/INCOME

	Unaudited For the six months ended 30 September	
	2009 \$'000	2008 \$'000
Continuing operations		
Available-for-sale equity securities: transfer from equity on disposal	—	81,405
Net realised and unrealised gain/(loss) on trading securities and derivatives	21,874	(5,138)
Net realised and unrealised loss on financial assets/liabilities at fair value through profit or loss	(38,247)	(1,666)
Exchange loss	(459)	(25,410)
Others	2	24
	(16,830)	49,215
Discontinued operation (note 10)		
Net realised and unrealised loss on financial assets at fair value through profit or loss	—	(1,601)
Exchange gain/(loss)	128	(93)
Others	333	307
	461	(1,387)
	(16,369)	47,828

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Unaudited For the six months ended 30 September	
		2009 \$'000	2008 \$'000
(a)	Finance costs:		
	Continuing operations		
	Interest on bank loans wholly repayable within five years	4,222	11,243
	Other borrowing costs	433	430
	Finance charges on obligations under a finance lease	89	73
		4,744	11,746
	Discontinued operation		
	Interest on bank loan wholly repayable within five years	521	—
		5,265	11,746
(b)	Staff costs:		
	Continuing operations		
	Salaries, wages and other benefits	12,708	10,357
	Contributions to defined contribution retirement plans	1,100	869
	Equity settled share-based payment expenses	19,238	—
		33,046	11,226
	Discontinued operation		
	Salaries, wages and other benefits	7,979	14,871
	Contributions to defined contribution retirement plans	1,078	851
	Equity settled share-based payment expenses	—	132
		9,057	15,854
		42,103	27,080

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION (Continued)

		Unaudited For the six months ended 30 September	
		2009 \$'000	2008 \$'000
(c)	Other items:		
	Continuing operations		
	Amortisation of land lease premium	51	51
	Amortisation of intangible assets	2,896	—
	Depreciation of property, plant and equipment	6,316	4,211
	Research and development costs	4,924	2,139
	Operating lease charges in respect of		
	– properties	4,540	3,854
	– other assets	190	484
	Discontinued operation		
	Amortisation of intangible assets	819	1,633
	Depreciation of property, plant and equipment	4,980	3,380
	Research and development costs	—	148
	Operating lease charges in respect of		
	– properties	1,807	1,366

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Continuing operations

Taxation in the consolidated income statement represents:

	2009 \$'000	2008 \$'000
Current tax – Outside Hong Kong		
PRC income tax for the period	12,712	18,690

(b) Discontinued operation (note 10)

Taxation in the consolidated income statement represents:

	2009 \$'000	2008 \$'000
Current tax - Outside Hong Kong		
PRC income tax for the period	5,364	7,845

(c) PRC income tax

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

One of the subsidiaries, Beijing Jingjing Medical Equipment Co., Ltd. ("Jingjing") was registered in the Beijing Economic and Technology Development Zone and was subject to a preferential income tax rate of 15% prior to 31 December 2007. In 2007, Jingjing was accredited as a "foreign-invested advanced technology enterprise" and was granted a reduction in income tax rate from 15% to 10%.

One of the subsidiaries of the discontinued operation during the period, Beijing Jiachenhong Biological Technologies Co., Ltd. ("Jiachenhong") which was also registered in the Beijing Economic and Technology Development Zone and subject to an income tax rate of 15% prior to 31 December 2007, was fully exempted from PRC income tax for the two years ended 31 December 2005 and entitled to a 50% reduction of PRC income tax for the three years ended 31 December 2008.

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%.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)**(c) PRC income tax (Continued)**

The State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 and Notice on the Implementation Rules of the Grandfathering Relief under the Corporate Income Tax Law (Guo Fa [2007] No. 39) on 26 December 2007 (collectively, the "Implementation Rules"). Under the New Tax Law and the Implementation Rules, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law becoming effective will be subject to transitional tax rates before the new corporate income tax rate of 25% applies. For Jingjing and Jiachenhong, the transitional tax rates are 18%, 20%, 22% and 24% in calendar years ending 31 December 2008, 2009, 2010 and 2011 respectively and the corporate income tax rate of 25% will apply from 1 January 2012 onwards.

Under the Implementation Rules, the 50% reduction of PRC income tax granted to Jiachenhong was grandfathered and continues to be granted to Jiachenhong until expiry on 31 December 2008. On 24 December 2008, both Jingjing and Jiachenhong were designated as high and new technology enterprises, which qualify for a reduced income tax rate of 15%, and such status will be valid for the three years ending 31 December 2010. Companies that qualify for both the grandfathering treatments and reduced tax rate for high and new technology enterprises are entitled to the more favourable tax incentive but not both. As a result of the above, current taxation for Jingjing and Jiachenhong has been accrued based on tax rates of 15% and 9% respectively for the calendar year ended 31 December 2008 and based on the tax rate of 15% for the six months ended 30 September 2009.

The rest of the Group's subsidiaries in the PRC were subject to PRC income tax at a rate of 33% prior to 31 December 2007. As a result of the New Tax Law, the income tax rate applicable to these subsidiaries has been reduced from 33% to 25% from 1 January 2008.

(d) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the years ended 31 March 2009 and 2008 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 OTHER COMPREHENSIVE INCOME**Available-for-sale securities**

	Unaudited	
	For the six months ended	
	30 September	
	2009	2008
	\$'000	\$'000
Changes in fair value recognised during the period	—	(20,756)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	—	(81,405)
– reclassification	—	(81,066)
Net movement in the fair value reserve during the period recognised in other comprehensive income	—	(183,227)

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DISCONTINUED OPERATION

On 3 November 2008, the Company together with China Cord Blood Services Corporation ("CCBS") and CCBS's minority shareholders executed an agreement and plan for merger, conversion and share exchange (the "Share Exchange Agreement") with Pantheon China Acquisition Corp. ("Pantheon"), a company listed on the OTC Board in the United States of America, and its subsidiary Pantheon Arizona Corp.. Pantheon subsequently merged into Pantheon Arizona Corp. which continued its existence as a Cayman Islands exempted company and changed its name to China Cord Blood Corporation ("CCBC").

Pursuant to the Share Exchange Agreement, among other things, CCBC issued to the Group and other selling shareholders of CCBS 57,851,240 shares in exchange for the entire issued and outstanding shares of CCBS held in their names (the "Spin-off of CCBS Group"). The Spin-off of CCBS Group was completed on 30 June 2009. Upon the completion of the Spin-off of CCBS Group, the Company indirectly holds 29,068,087 shares CCBC which represents 46.3% equity interest in CCBC as at 30 September 2009. As a result of the Spin-off of CCBS Group, the Group's cord blood bank segment was classified as a discontinued operation and the Group's interest in CCBC is recognized as interests in an associate in the Group's consolidated financial statements.

(a) The results of the discontinued operation for the period ended 30 September 2009 and 2008 are as follows:

	Unaudited For the six months ended 30 September	
	2009 \$'000	2008 \$'000
Turnover (note 3)	64,274	93,816
Cost of sales	(18,943)	(26,118)
Gross profit	45,331	67,698
Other revenue (note 5)	1,168	2,147
Other net income/(loss) (note 6)	461	(1,387)
Selling expenses	(7,976)	(16,595)
Administrative expenses	(11,610)	(9,896)
Profit from operation	27,374	41,967
Finance cost (note 7(a))	(521)	—
Profit before taxation	26,853	41,967
Income tax (note 8(b))	(5,364)	(7,845)
Profit for the period	21,489	34,122
Loss on disposal of discontinued operation, net of tax of \$Nil	—	—
Profit for the period from discontinued operation	21,489	34,122

The results of the discontinued operation for the period ended 30 September 2009 only reflected the results of the operation ended 30 June 2009 as the business combination was completed as of that date. Post business merge result is recognised as share of profits from associates.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DISCONTINUED OPERATION (Continued)

(b) The net cash flows of the discontinued operation for the period ended 30 September 2009 and 2008 are as follows:

	Unaudited For the six months ended 30 September	
	2009 \$'000	2008 \$'000
Net cash (outflow)/inflow from operating activities	(5,164)	44,352
Net cash outflow from investing activities	(8,588)	(44,731)
Net cash inflow/(outflow) from financing activities	87,594	(28,648)
Net cash inflow/(outflow) from the discontinued operation	73,842	(29,027)

11 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company divided by the weighted average number of ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Unaudited For the six months ended 30 September	
	2009 Shares '000	2008 Shares '000
Issued ordinary shares at the beginning of the period	1,593,922	1,543,522
Effect of shares repurchased and cancelled	—	(2,873)
Weighted average number of ordinary shares at the end of the period	1,593,922	1,540,649

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE (Continued)

(a) Basic earnings per share (Continued)

	Unaudited For the six months ended 30 September	
	2009 \$'000	2008 \$'000
<i>From continuing and discontinued operations</i>		
Profit attributable to equity shareholders	48,139	146,676
<i>From continuing operations</i>		
Profit attributable to equity shareholders	38,070	130,438
<i>From discontinued operation</i>		
Profit attributable to equity shareholders	10,069	16,238
<i>From continuing and discontinued operations</i>		
Basic earnings per share (in cents)	3.02	9.52
<i>From continuing operations</i>		
Basic earnings per share (in cents)	2.39	8.47
<i>From discontinued operation</i>		
Basic earnings per share (in cents)	0.63	1.05

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders and the weighted average number of ordinary shares in issue during the period after adjusting for the effect of all dilutive potential shares, calculated as follows:

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

	Unaudited For the six months ended 30 September	
	2009 \$'000	2008 \$'000
<i>From continuing and discontinued operations</i>		
Profit attributable to equity shareholders	48,139	146,676
Dilutive impact on profit from deemed issue of ordinary shares of a subsidiary under the share option scheme of a subsidiary for nil consideration	(177)	(562)
Profit attributable to equity shareholders (diluted)	47,962	146,114
Attributable to:		
Continuing operations	38,070	130,438
Discontinued operation	9,892	15,676
	47,962	146,114

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

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

	Unaudited For the six months ended 30 September	
	2009 Shares '000	2008 Shares '000
Weighted average number of ordinary shares as at 30 September	1,593,922	1,540,649
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	2,499	23,579
Weighted average number of ordinary shares (diluted) as at 30 September	1,596,421	1,564,228
<i>From continuing and discontinued operations</i>		
Diluted earnings per share (in cents)	3.00	9.34
<i>From continuing operations</i>		
Diluted earnings per share (in cents)	2.38	8.34
<i>From discontinued operation</i>		
Diluted earnings per share (in cents)	0.62	1.00

Note:

The convertible bonds and warrants are anti-dilutive and are ignored in the calculation of diluted earnings per share for the period ended 30 September 2009.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The changes in property, plant and equipment and interest in leasehold land held for own use under operating leases for the six months ended 30 September 2009 are analysed as follows:

	Property, plant and equipment \$'000	Unaudited Interest in leasehold land held for own use under operating leases \$'000
As at 1 April 2009	410,479	4,290
Exchange adjustments	175	4
Additions	37,465	—
Acquisition of subsidiaries	20,720	—
Disposal of subsidiaries (note 10)	(280,524)	—
Depreciation/amortisation charge for the period	(11,296)	(51)
As at 30 September 2009	177,019	4,243

14 INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 March 2009, the Company indirectly held a 33.5% equity interest in Pypo Digital, via its 50% equity interest in Capital Ally. Pypo Digital in turn held 100% equity interest in Beijing Pypo. Pursuant to a Merger Agreement, MK Arizona Corporation ("MK Arizona"), a company listed on the OTC Bulletin Board in the United States of America, acquired by way of share exchange the entire issued and outstanding ordinary shares of Pypo Digital.

The transaction was completed in July 2009. Upon the completion of the transaction, Capital Ally held a 64% equity interest in MK Arizona and MK Arizona has changed its name to Funtalk China Holdings Limited.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

15 OTHER FINANCIAL ASSETS

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Non-current trade receivables	—	103,884
Non-current prepayments (Note)	177,257	840,462
	177,257	944,346

Note:

Included in non-current prepayments of the Group as at 30 September 2009 are earnest monies of \$177,257,000 for healthcare projects. The transaction to acquire a 60% equity interest in hospital management companies in the PRC for a total cash consideration of \$830 million was completed in June 2009.

16 INVENTORIES

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Raw materials	844	8,878
Work in progress	2,050	2,448
Finished goods	15,967	46,795
	18,861	58,121

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

17 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 2009 \$'000	Audited 31 March 2009 \$'000
Within six months	81,577	182,597
Between seven to twelve months	96	20,850
Over one year	1,251	6,238
	82,924	209,685

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

18 TRADE PAYABLES

The Group is normally granted credit period of one to three months by its suppliers.

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

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Due within three months or on demand	65,763	39,524

19 OTHER PAYABLES AND ACCRUALS

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Deferred income	11,884	21,511
Other payables and accruals	74,332	46,088
	86,216	67,599

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

20 BANK LOANS

As at 30 September 2009, the bank loans were repayable as follows:

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Within one year or on demand	113,340	—
After one year but within two years	—	113,212
After two years but within five years	232,727	232,492
	346,067	345,704

As at 30 September 2009, the bank loans were secured as follows:

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Secured bank loans	113,340	113,212
Unsecured bank loan	232,727	232,492
	346,067	345,704

Included in bank loans are the following amounts denominated in currencies other than the functional currency of the Company to which they relate:

	Unaudited 30 September 2009	Audited 31 March 2009
US Dollars	US\$30,000,000	US\$30,000,000
Renminbi	RMB100,000,000	RMB100,000,000

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

21 OBLIGATIONS UNDER A FINANCE LEASE

The Group and the Company had obligations under a finance lease repayable as follows:

	Unaudited 30 September 2009		Audited 31 March 2009	
	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within one year	901	1,044	877	1,044
After one year but within two years	952	1,044	926	1,044
After two years but within five years	1,177	1,217	1,659	1,738
	2,129	2,261	2,585	2,782
	3,030	3,305	3,462	3,826
Less: Total future interest expenses		(275)		(364)
Present value of lease obligations		3,030		3,462

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CONVERTIBLE BONDS

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Convertible bonds	234,807	—

The Company issued convertible bonds in an initial aggregate principal amount of US\$10,000,000 (the "July 2009 Initial Bonds") with bonus warrants with an initial aggregate exercise money of US\$3,333,333 (the "July 2009 Initial Warrants") in July 2009 and convertible bonds in an aggregate principal amount of US\$15,000,000 (the "September 2009 Bonds" and together with the July 2009 Initial Bonds, the "Bonds") with bonus warrants with an aggregate exercise money of US\$5,066,666.66 (the "September 2009 Warrants" and together with the July 2009 Initial Warrants, the "Warrants") in September 2009.

Both of the July 2009 Initial Bonds and the September 2009 Bonds bear interest at the rate of 3% per annum and will mature in July 2014 and September 2014 respectively.

Further, one of the placees of the July 2009 Initial Bonds has been granted by the Company with an option to require the Company to issue additional convertible bonds in an aggregate principal amount of US\$1,000,000 (the "Optional Bonds") with bonus warrants (issuable upon the issue of the relevant Optional Bonds) with an aggregate exercise money of US\$333,333.33 ("Optional Warrants") (the "Option"). The Option is exercisable in whole or in part and from time to time during the period of 365 days after the Bonds has obtained listing approval from the Stock Exchange. The Optional Bonds bear interest at the rate of 3% per annum and will mature on the fifth anniversary of the relevant issue dates.

Unless otherwise redeemed by the Company, both the Bonds and the Optional Bonds may be converted into ordinary shares of the Company at an initial conversion price of US\$0.1601 (equivalent to approximately \$1.241) per share, subject to adjustment and reset, at any time from 5 August 2009 (in the case of the July 2009 Initial Bonds) and from their relevant issue dates (in the case of the September 2009 Bonds and the Optional Bonds) up to 5 business days prior to their maturity dates. Both the Warrants and the Optional Warrants may be converted into ordinary shares of the Company at an initial conversion price of US\$0.1747 (equivalent to approximately \$1.354) per share, subject to adjustment, at any time from 5 August 2009 (in the case of the July 2009 Initial Warrants) and from their relevant issue dates (in the case of the September 2009 Warrants and the Optional Warrants) up to their maturity dates.

Details relating to the issue of the Bonds and Warrants (including the Optional Bonds and the Optional Warrants) are set in the announcements of the Company dated 30 April 2009, 5 May 2009, 20 July 2009, 31 July 2009, 24 August 2009, 8 September 2009 and 9 September 2009.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The fair values of the embedded option derivatives of the convertible bonds as at balance sheet date were calculated using binomial model.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

23 SHARE CAPITAL

	Unaudited 30 September 2009		Audited 31 March 2009	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	4,000,000	400,000	2,000,000	200,000
Issued and fully paid:				
Beginning of period/year	1,593,922	159,392	1,543,522	154,352
Issue of shares	—	—	60,000	6,000
Shares repurchased and cancelled	—	—	(9,600)	(960)
End of period/year	1,593,922	159,392	1,593,922	159,392

24 COMMITMENTS

(i) Capital commitments

Capital commitments outstanding as at 30 September 2009 not provided for in the interim financial report were as follows:

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Contracted for	—	3,113

(ii) Operating lease commitments

As at 30 September 2009, the total future minimum lease payments under non-cancelable operating leases were payable as follows:

	Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Within 1 year	2,905	13,648
After 1 year but within 5 years	461	19,197
After 5 years	—	61,082
	3,366	93,927

(iii) Other commitments

As at 30 September 2009, other commitments outstanding were \$124,660,000 (equivalent to US\$15,982,000) was related to a further capital contribution to an unlisted private equity.

Notes to the Unaudited Interim Financial Results

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CONTINGENT LIABILITIES

As at 30 September 2009, a subsidiary of the Company has issued guarantees to banks in respect of banking facilities granted to a jointly controlled entity which will expire within one year. Under the guarantees, the subsidiary is liable for the borrowings of the jointly controlled entity under such facilities from the banks which are beneficiaries of the guarantees.

As at 30 September 2009, the directors do not consider it is probable that a claim will be made against the subsidiary under the guarantees. The maximum liability of the Group at 30 September 2009 under the guarantees issued was the outstanding amount of the facilities drawn down by the jointly controlled entity of \$460,161,000. The Group has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and their transaction price was \$Nil.

26 SUBSEQUENT EVENTS

On 30 September 2009, GM Hospital Group Limited ("GMHG"), a 60%-owned subsidiary of the Company, entered into a subscription agreement with Hope Sky Investments Limited ("Subscriber"), the existing shareholders of GMHG and Mr. Kam Yuen. Pursuant to the subscription agreement, GMHG issued to the Subscriber convertible notes with an aggregate principal amount of US\$28 million (equivalent to approximately \$217 million). The convertible notes will mature in 2014 and bear interest at the rate of 5% per annum. The convertible notes are convertible into shares of GMHG at an initial conversion price of US\$1,778.19 per share, subject to adjustment, from the issue date up to the maturity date. Further details of the terms and condition of the convertible notes are disclosed in the Company's announcement dated 30 September 2009. This issuance of convertible notes was completed in November 2009.

On 19 November 2009, China Cord Blood Corporation ("CCBC") successfully completed its offering and listed on the New York Stock Exchange after CCBC entered into an underwriting agreement with Rodman & Renshaw, LLC and Macquarie Capital in relation to the placing of 3,305,786 ordinary shares of CCBC at an offer price of US\$6.05 per ordinary share. CCBC has also granted to the underwriters an option, exercisable within 45 days from 18 November 2009, to purchase up to an additional 495,867 ordinary shares to cover any over-allotments. The placing was completed on 24 November 2009. Immediate after the listing, market capitalization of CCBC stood at approximately US\$400 million (excluding over-allotments).

On 17 December 2009, Funtalk China Holdings Limited ("Funtalk") successfully completed its public offering and listed on the NASDAQ Global Market after Funtalk entered into an underwriting agreement with Rodman & Renshaw, LLC in relation to the placing of 3,100,000 ordinary shares of Funtalk at an offer price of US\$7 per ordinary share. Funtalk has also granted the underwriter a 30-day option to purchase up to an additional 465,000 ordinary shares to cover any over-allotments.

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

As at 30 September 2009, the interests and short positions of the directors and chief executives of the Company in the shares and, in respect of equity derivatives, underlying shares in, and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have 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

Name of directors	Capacity and nature of interests	Long positions Number of ordinary shares of HK\$0.1 each			Approximate percentage of the Company's issued share capital
		Number of ordinary shares of HK\$0.1 each	Number of underlying shares held under equity derivatives	Total interests	
Mr. KAM Yuen	Founder of trusts	372,084,000 ⁽¹⁾	—	372,084,000	23.34%
	Beneficial owner	—	67,006,245	67,006,245	4.20%
Ms. JIN Lu	Beneficial owner	—	3,800,000	3,800,000	0.24%
Mr. LU Tian Long	Beneficial owner	—	6,000,000	6,000,000	0.38%
Ms. ZHENG Ting	Beneficial owner	—	7,600,000	7,600,000	0.48%

Notes:

- (1) Mr. KAM Yuen was deemed under SFO to have an interest in 372,084,000 shares beneficially owned by Bio Garden Inc. ("Bio Garden"), a company incorporated in the British Virgin Islands ("BVI"), as at 30 September 2009 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")

Name of directors	Capacity and nature of interests	Number of ordinary shares of US\$0.0001 each		
		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	0.57%
Ms. ZHENG Ting	Beneficial owner	1,071,994	1,071,994	1.71%

Save as disclosed above, as at 30 September 2009, 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 have 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 (which have all been terminated) are summarised in note 35(a) to the financial statements as included in the annual report of the Company for the year ended 31 March 2009.

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

Name of directors and employees	Date of grant	Number of underlying shares in respect of which share options were outstanding as at 1 April 2009	Share options granted during the period ended 30 September 2009	Number of underlying shares in respect of which share options were outstanding as at 30 September 2009	Exercise price HK\$	Market value per share at grant date 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 (other than directors)	4 March 2005 ⁽²⁾	11,870,000	—	11,870,000	1.60	1.60
	27 April 2009 ⁽³⁾	—	44,200,000	44,200,000	1.15	1.14
		77,476,245	63,000,000	140,476,245		

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

SHARE OPTION SCHEMES *(Continued)*

Notes:

- (1) The share options are exercisable as to:
 - (i) up to 20% immediately after 6 months from the date of grant;
 - (ii) up to 60% immediately after 18 months from the date of grant;
 - (iii) up to 100% immediately after 30 months from the date of grant; and
 - (iv) the share options will expire at the close of business on 3 March 2015.
- (2) The share options are exercisable in full immediately 3 months after the date of grant and will expire at the close of business on 28 February 2015.
- (3) The share options are exercisable as to:
 - (i) up to 30% immediately after the date of grant;
 - (ii) up to 60% immediately after 6 months from the date of grant;
 - (iii) up to 100% immediately after 12 months from the date of grant; and
 - (iv) the share options will expire at the close of business on 26 April 2019.
- (4) No share options granted under the share option schemes of the Company were exercised, cancelled or lapsed during the period ended 30 September 2009.

SHARE OPTION SCHEMES *(Continued)***(b) Share option scheme of CSC, a subsidiary up to 29 June 2009**

The Company's shareholders approved at the extraordinary general meeting held on 21 September 2006 the adoption of a share option scheme by a CSC (the "CSC Scheme"). The CSC Scheme became effective on 21 September 2006 (the "Effective Date"). Principal terms of the CSC Scheme are summarised in note 35(b) to the financial statements as included in the annual report of the Company for the year ended 31 March 2009.

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

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

Notes:

(1) The share options are exercisable as to:

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

(2) Pursuant to the terms of the Share Exchange Agreement, upon the completion of the Spin-off of CCBS Group, all share options outstanding under the CSC Scheme will be amended to become options to purchase shares of CCBC, with each option to purchase one share of US\$1.00 of CSC under the CSC Scheme to purchase 35.73314 ordinary shares of US\$0.0001 each of CCBC.

All the option holders of the 100,000 share options then outstanding under the CSC Scheme exercised their options in full at an exercise price of HK\$450 per option share and a total of 3,573,314 ordinary shares of US\$0.0001 each of CCBC were issued to such option holders in lieu of shares in CSC upon the completion of the Spin-off of CCBS Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 September 2009, 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 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) Long positions of substantial shareholders

Name	Capacity and nature of interest	No. of issued shares	Approximate percentage of the Company's issued share capital
Bio Garden ⁽¹⁾	Beneficial owner	372,084,000 ⁽⁵⁾	23.34%
Credit Suisse Trust Limited ⁽²⁾	Trustee	372,084,000 ⁽⁵⁾	23.34%
Newcorp Ltd. ⁽³⁾	Interest of controlled corporation	372,084,000 ⁽⁵⁾	23.34%
Mr. Kent C. McCarthy ⁽⁴⁾	Interest of controlled corporation	350,746,604	22.01%
Jayhawk Private Equity Fund, L.P.	Investment manager	112,526,984	7.06%

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

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

Name of other persons who have more than 5% interests	Capacity and nature of interest	No. of issued shares	Approximate percentage of the Company's issued share capital
Martin Currie (Holdings) Limited	Interest of controlled corporation	129,028,000	8.10%

Notes:

- (1) Bio Garden is an investment holding company incorporated in the BVI. It was wholly-owned by certain discretionary trusts of which Mr. KAM Yuen was the founder.
- (2) The corporate substantial shareholder notice filed by Credit Suisse Trust Limited indicated that Gold Rich Investment Limited ("Gold Rich") and Gold View Investment Limited ("Gold View") had, in aggregate, a 36% interest in Bio Garden which beneficially owned 372,084,000 shares as at 30 September 2009. Gold Rich and Gold View were in turn indirectly wholly-owned by Credit Suisse Trust Limited as trustee of certain discretionary trusts as referred to in (1) above. Accordingly, Credit Suisse Trust Limited was deemed, under the SFO, to have an interest in the 372,084,000 shares held by Bio Garden.
- (3) The corporate substantial shareholder notice filed by Newcorp Ltd. indicated that Golden Fountain Investments Limited ("Golden Fountain") had a 64% interest in Bio Garden which beneficially owned 372,084,000 shares as at 30 September 2009. Golden Fountain was in turn an indirect wholly-owned subsidiary of Newcorp Ltd. Accordingly, Newcorp Ltd. was deemed, under the SFO, to have an interest in the 372,084,000 shares held by Bio Garden.
- (4) The interest disclosed by Mr. Kent C. McCarthy includes 112,526,984 shares held by Jayhawk Private Equity Fund, L.P.
- (5) These interests represent the same block of shares of the Company.

Save as disclosed above, as at 30 September 2009, 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.

Corporate Governance and Other Information

REPORT ON CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2009, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and, where appropriate, the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules subsequent to the transfer of listing of the Company's shares from GEM to the Main Board on 16 June 2009 (the "Transfer Date"), except for A.2.1. The following summarises the requirements under the relevant code provision and the Company's reasons for such deviation:

Code Provision A.2.1

Under code provision A.2.1, 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 judgment, knowledge and experience to the Board's deliberations. The Board believes that this structure is conducive to strong and consistent leadership for the Group, enabling it to make and implement decisions promptly and efficiently.

Mr. Kam has been both the chairman and chief executive 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.

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

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SECURITIES TRANSACTIONS BY DIRECTORS

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

With effect from the Transfer Date, the Company has adopted the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions for replacing the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company while it was listed on GEM. 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.

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.

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 2009.

By order of the Board

KAM Yuen

CHAIRMAN

HONG KONG, 17 December 2009

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

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

Head Office and Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Stock Code

801

Qualified Accountant and Company Secretary

Mr. KONG Kam Yu, ACA, AHKSA

Compliance Officer

Mr. KAM Yuen

Audit Committee Members

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

Remuneration Committee Members

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

Authorised Representatives

Mr. KAM Yuen
Ms. ZHENG Ting

Legal Advisers to the Company

as to Hong Kong law
Jones Day

Auditors

KPMG

Principal Share Registrar and Transfer Office in the Cayman Islands

Appleby Corporate Services (Cayman) Limited

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited

Principal Bankers

China Construction Bank - Beijing Branch
Deutsche Bank AG
Sumitomo Mitsui Banking Corporation
EFG Bank
CITIC Ka Wah Bank Limited
Bank of China (Hong Kong) Limited

Investor Relations Officer

Mr. Dennis Lu, Investor Relations Manager
Email: ir@goldenmeditech.com

Website

www.goldenmeditech.com